



Victor Khanye Local Municipality
Financial statements
for the year ended 30 June 2015

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

General Information

| | |
|--|--|
| Legal form of entity | Municipality |
| Nature of business and principal activities | Provision of municipal services |
| Mayoral committee | |
| Executive Mayor | Makhabane EN |
| Councillors | Ward 1 - Nhlapo MM Ward 2 - Yeko BD Ward 3 - Mlambo LN Ward 4 - Buda KV Ward 5 - Ngoma HM (Chief Whip) Ward 6 - Shabangu ET Ward 7 - Zulu ZJM Ward 8 - Bath DJ Ward 9 - Nkabinde SS Proportional - Mahlangu SH Proportional - Makhabane EN Proportional - Maluleka TM Proportional - Rautenbach M Proportional - Shabalala B Proportional - Nyathi BJ Proportional - Mokoena BN Proportional - Segone RK |
| Grading of local authority | Grade 3 Medium Capacity MP311 |
| Accounting Officer | Mashele F (Acting) |
| Chief Finance Officer (CFO) | Barnard C |
| Registered office | Municipal Building c/o Samuel and Van der Walt Street Delmas 2210 |
| Business address | Municipal Building c/o Samuel and Van der Walt Street Delmas 2210 |
| Auditors | Auditor General of South Africa |

Victor Khanye Local Municipality

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the financial statements and is unaudited:

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Abbreviations

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

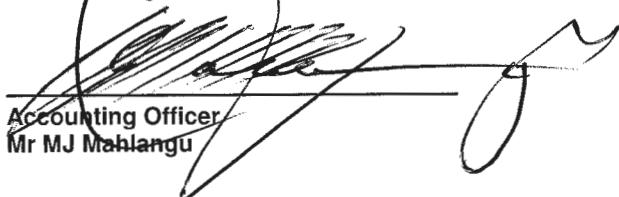
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2015 and were signed on its behalf by:



Accounting Officer
Mr MJ Mahlangu

Victor Khanye Local Municipality

Annual Financial Statements for the year ended 30 June 2015

ACCOUNTING OFFICER'S REPORT

1. INTRODUCTION

The 2014/15 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources. The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2014/15 budget:

- The eradication of backlogs and investment in infrastructure for basic services and growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2014/15 financial year.

The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

2. REVIEW OF OPERATING RESULTS

The 2014/15 budget of Victor Khanye was approved by Council on the 29th of May 2014.

2.1 General

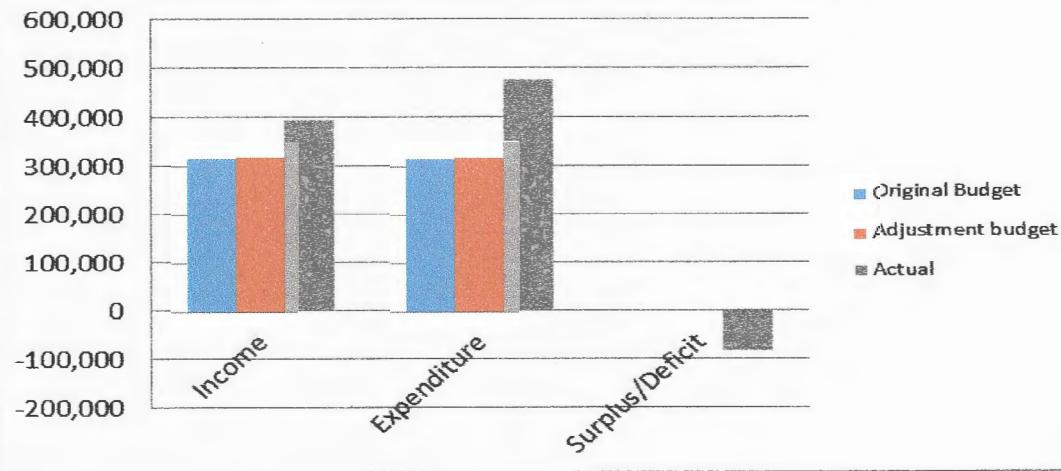
Details of the 2014/15 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results are shown in the graph below:

The overall operating results for the year ending 30 June 2015 are as follows:

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Annual Financial Statements for the year ended 30 June 2015

OPERATING RESULTS 2014/15



| Description | Original Budget 2015 | Adjusted | Actual 2015 | Variance Actual / Adjusted budget | Actual 2014 |
|------------------------------------|-------------------------|----------|----------------|--|----------------|
| | R'000 | | | | R'000 |
| REVENUE | | | | | |
| Operating revenue for the year | 316,851 | 320,587 | 412,782 | 28.76% | 430,670 |
| | 316,851 | 320,587 | 412,782 | | 437,670 |
| EXPENDITURE | | | | | |
| Operating expenditure for the year | 316,842 | 320,578 | 457,568 | 42.73% | 517,259 |
| Fair value adjustment | - | - | 176,615 | | 1,447 |
| Gain on disposal of assets | - | - | - | | (32) |
| Accumulated surplus / (deficit) | 9 | 9 | (44,954) | | (78,490) |
| | 316,851 | 320,587 | 615,439 | | 440,185 |
| | | | | | |

The actual net expenditure of the Municipality reflects an increase of 42,73% while the actual revenue of the Municipality has increased by 28,76% since 2013/14.

The largest increase on revenue occurred on service charges, property rates and government grants.

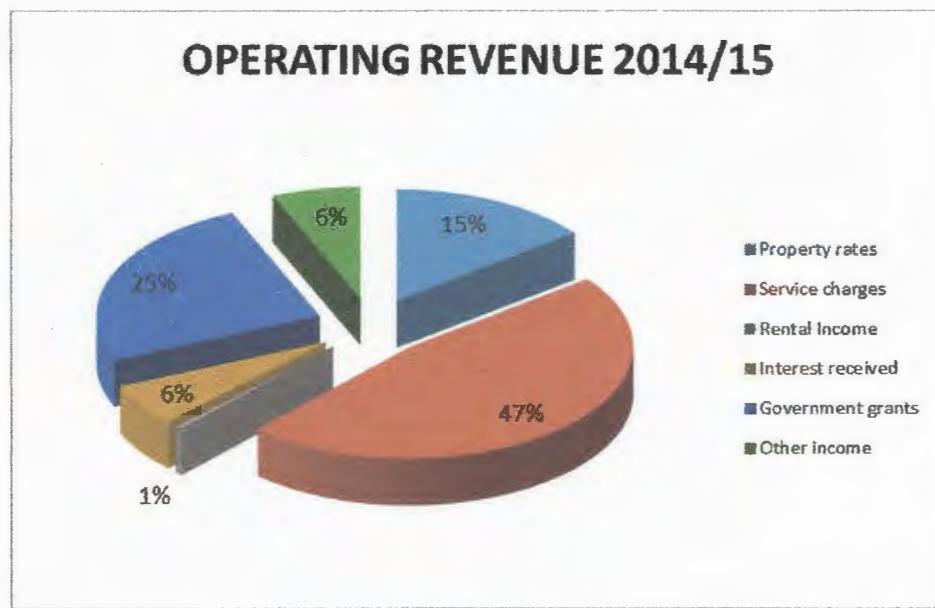
The largest increase on expenditure occurred on bulk purchases, salaries and non-cash items such as depreciation and debt impairment.

Victor Khanye Local Municipality

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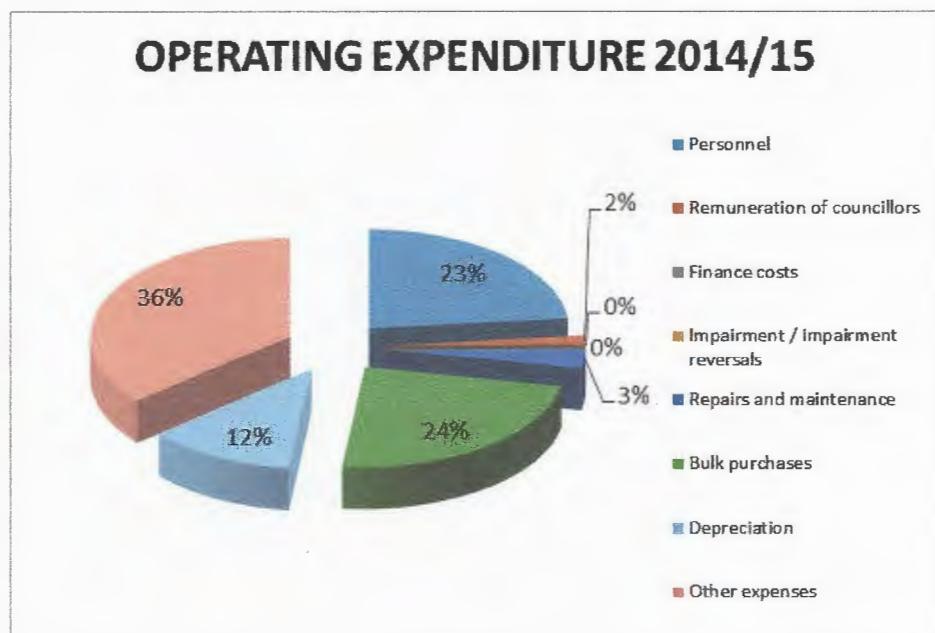
2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.



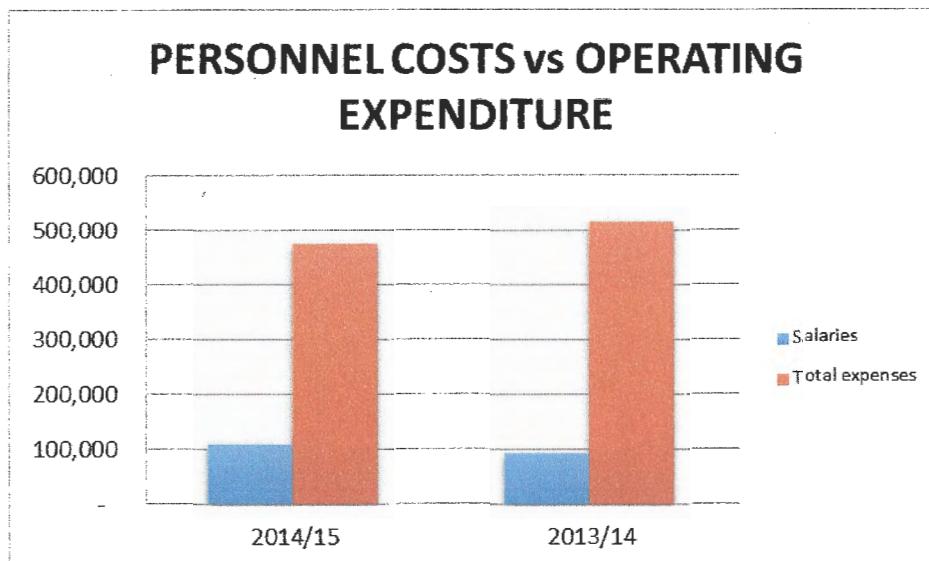
Victor Khanye Local Municipality

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Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 20,71% in 2013/14 to 24,01% in 2014/15. The major cause of this increase was the increase in the employee costs of R 15,3 million. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contract intensive whilst others might be more labour intensive. The target for remuneration as a percentage of expenditure is 30%.

| Description | 2014/15 R'000 | 2013/14 R'000 |
|-------------------------------|------------------|------------------|
| Total operating expenditure | 457,568 | 462,614 |
| Total operating revenue | 412,782 | 437,670 |
| Employee remuneration | 109,882 | 95,828 |
| Ratio: % of total expenditure | 24.01% | 20.71% |
| Ratio: % of total revenue | 26.62% | 21.89% |
| % in/decrease in remuneration | 14.67% | 27.47% |



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Annual Financial Statements for the year ended 30 June 2015

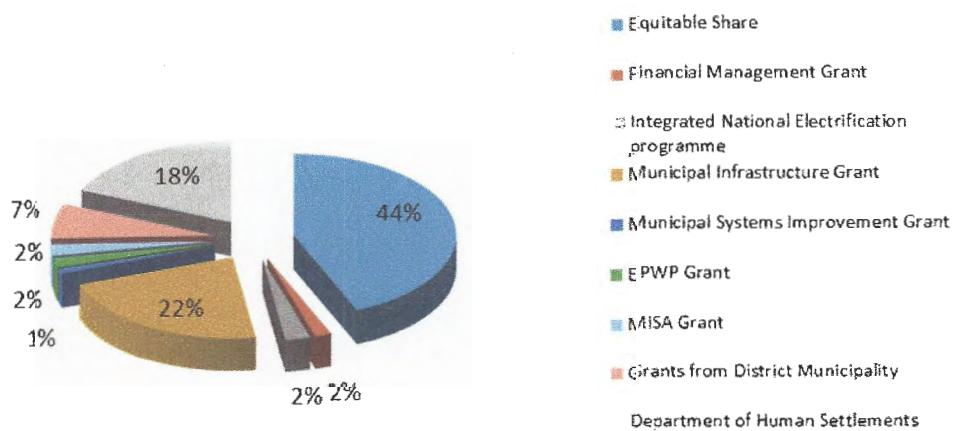
2.4

Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Mpumalanga Provincial Government, which have been included in the total revenue:

| Description | 2014/15 | 2013/14 |
|---|-------------------|-------------------|
| Equitable Share | 59,142,000 | 53,533,000 |
| Financial Management Grant | 1,600,000 | 1,550,000 |
| Integrated National Electrification programme | 2,470,000 | 1,200,000 |
| Municipal Infrastructure Grant | 21,483,617 | 23,633,000 |
| Municipal Systems Improvement Grant | 934,000 | 890,000 |
| EPWP Grant | 1,823,000 | 2,135,960 |
| MISA Grant | 2,207,999 | |
| Grants from District Municipality | 6,841,503 | 12,902,709 |
| | 96,502,119 | 95,844,669 |

GOVERNMENT GRANTS & SUBSIDIES 2014/15



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3. DEBTORS

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

| Description | 2014/15 | 2013/14 |
|--|----------------|----------------|
| Debits levied : Consumer debtors | 270,371,089 | 228,507,932 |
| Balance on 1 July | 353,592,399 | 286,856,160 |
| Balance on 30 June | 372,092,465 | 353,592,399 |
| Average balance | 362,842,432 | 320,224,280 |
| Days in the financial year | 365 | 365 |
| Turnover: Number of days | 490 | 512 |
| Turnover: Number of times (levies/average balance) | 0.75 | 0.71 |

From the table it is clear that, the number of days to recover debt decreased from 512 to 490 days since 2013/14. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. The increase in debtors has an impact on the going concern of the municipality.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2014/15 amounted to R 33,8 million and was accepted by National Treasury. The capital budget was not adjusted by during the adjustments budget process.

Of these funds the MIG funding of R 23,5 million was spent in the 2014/15 financial year, R 4,8 million was spent from DOE funding and R 5,5 million was spent from own revenue on capital projects.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- The raising of loans
- The cash flow of the Municipality

5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures

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the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

| Description | 2014/15 | 2013/14 |
|--|-------------------|--------------------|
| CURRENT ASSETS: | | |
| Cash | 13,577,796 | 4,022,065 |
| Inventory | 1,349,687 | 1,404,842 |
| Consumer Debtors | 69,238,744 | 105,988,552 |
| Receivables from exchange transactions | 2,675,034 | 2,675,034 |
| Receivables from non-exchange transactions | 650,526 | 183,485 |
| Other financial assets | 134,007 | 124,735 |
| VAT Receivable | - | - |
| Total | 87,625,794 | 114,398,713 |
| CURRENT LIABILITIES: | | |
| Creditors | 51,632,651 | 41,086,535 |
| Finance lease obligation | - | - |
| Unspent conditional grants and receipts | 2,166,407 | 476,520 |
| Other financial liabilities | 3,014,164 | 3,952,564 |
| VAT payable | 2,150,007 | 8,686,814 |
| Employee benefit obligation | 758 772 | 735 600 |
| Consumer deposits | 1,477,688 | 1,491,078 |
| Overdrawn cash book balance | - | - |
| Total | 61,199,759 | 56,484,675 |
| Net Operating Capital | 26,426,035 | 57,914,038 |
| Current asset Ratio | 1,43 : 1 | 2 : 1 |

The ratio reduces slightly since 2013/14. This is due to the fact that the current liabilities increased with 8% whilst the current assets decreased with 23%. The decrease in current assets can mainly be ascribed to the increase in consumer debtors and the debt impairment. The increase in current liabilities mainly lies with the increase in Trade Payables as at year end.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available.

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5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

| Description | 2014/15 | 2013/14 |
|---------------------|------------|-------------|
| Current assets | 87,625,794 | 114,398,713 |
| Less: Inventory | 1,349,687 | 1,404,842 |
| Total | 86,276,107 | 112,993,871 |
| Current liabilities | 60,440,987 | 55,749,075 |
| Quick asset ratio | 1,41 : 1 | 2 : 1 |

The ratio decreased slightly due to an increase in the current liabilities and the decrease in the current assets, serious attention will be required to increase the ratio even further in this area to ensure the going concern of the municipality.

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

| Description | 2014/15 | 2013/14 |
|---------------------------|---------------|---------------|
| TOTAL ASSETS: | | |
| Current assets | 87,625,794 | 114,398,713 |
| Non-current assets | 1,335,373,787 | 1,342,785,511 |
| Total | 1,422,999,581 | 1,457,184,224 |
| TOTAL LIABILITIES: | | |
| Current liabilities | 60,440,987 | 55,749,075 |
| Plus: Long-term loans | 16,796,014 | 19,483,536 |
| Non-current provisions | 13,431,826 | 12,046,934 |
| Total | 90,668,827 | 87,279,545 |
| Solvability Ratio | 15,56 : 1 | 16,56 : 1 |

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The total assets of the Municipality decreased with 2,35% while the total liabilities increased with 4% resulting in an decrease in the solvability ratio as stated above. Non-current assets decreased with 1% while external loans decreased with 14%.

5.4 Total debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio decreased from 6,45% to 6,10% since 2013/14. This decrease can be ascribed to the fact that the total debt decreased with 11% in relation to the decrease of 6% in total revenue.

| DESCRIPTION | 2014/15 | 2013/14 |
|---------------|-------------|-------------|
| Total debt | 25,183,331 | 28,231,821 |
| Total revenue | 421,781,856 | 437,669,997 |
| Ratio | 6.10% | 6.45% |

5.5 Cashbook balance plus short-term loans to total operating revenue

| DESCRIPTION | 2014/15 | 2013/14 |
|--|-------------|-------------|
| Cash book overdraft plus short term portion of long-term loans | 4 491 852 | 5 443 642 |
| Total revenue | 421,781,856 | 437,669,997 |
| Ratio | 1.09% | 1.24% |

According to credit rating companies, the benchmark is a ratio of less than 5%. The ratio decreased due to the increase in trade payables.

5.6 Net debtors to total annual operating revenue

| DESCRIPTIONS | 2014/15 | 2013/14 |
|--|-------------|-------------|
| Annual operating revenue | 412,781,856 | 437,669,997 |
| Debtors (excluding provision for bad debt) | 372,092,465 | 353,592,399 |
| Percentage | 90.14% | 80.79% |

This ratio had a increase of 9,35%. This is a clear indication that the debt collection process of the municipality must improved however the annual operating revenue includes donations from the Department of Human Settlements which has an effect on the ratio as well.

6. CHALLENGES EXPERIENCED DURING 2014/15

6.1 GOING CONCERN ISSUES

The going concern of the municipality remains an issue that management needs to address; the following areas are of concern:

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- The government subsidies equate to 23% of our income. The situation showed an increase as the 2013/14 financial year the percentage was 22%. This means that there were more reliance by the municipality on government grants. However the increase was largely due an increase in Government Grants Received form the Department of Human Settlements.
- With reference to 5.2 (Quick asset ratio), the ratio of 1,41 : 1 is a good ratio given the norm of 1 : 1. The recoverability of our debtors still remains a problem hence the large provision for doubtful debts.
- Although the personnel costs are within the norm of 30%. The ratio is still too high due to the impairment of debt and the municipality should make all possible efforts to keep it to at 30% excluding impairment of debt in the next financial year to ensure that the municipality is able to meet all its financial obligations. (Refer to 2.3 for more detail).
- The municipality had at least three different Accounting officers in the year under review. That had a negative impact in the management of the institution and created a lot of instability.

6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

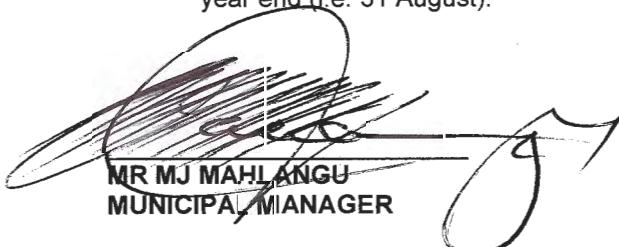
The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2014/15. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

6.3 COMPLIANCY OF ASSET REGISTER

It was a tremendously challenging exercise during the 2014/15 financial year to compile a compliant and purified asset register. However, due to a lack of capacity within the Municipality and the complexity of the asset register, National Treasury appointed a service provider to assist the municipality to ensure compliance to the accounting standards. The service provider assisted with the verification, review of useful lives, impairment, etc. However, supporting documentation for assets relating to prior years remained the biggest challenge. There is still a number of matters to address relating to the asset register and the municipality will still put all its efforts into the asset register to have an accurate register which can be relied upon.

7. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, previous Councillors, Office of the Municipal Manager, Directors, Managers, for putting in long hours and the staff for the support they have given me and my personnel in my short tenure as Acting Municipal Manager during the 2014/15 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my office to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August).



MR MJ MAHLANGU
MUNICIPAL MANAGER

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 10 | 1,349,687 | 1,404,842 |
| Other financial assets | 8 | 134,007 | 124,735 |
| Receivables from exchange transactions | 11 | 2,675,034 | 2,675,034 |
| Receivables from non-exchange transactions | 12 | 650,526 | 183,485 |
| Consumer debtors | 13 | 69,238,744 | 105,988,552 |
| Cash and cash equivalents | 14 | 13,577,796 | 4,022,065 |
| | | 87,625,794 | 114,398,713 |
| Non-Current Assets | | | |
| Investment property | 4 | 55,643,603 | 58,750,375 |
| Property, plant and equipment | 5 | 1,278,083,141 | 1,282,388,093 |
| Intangible assets | 6 | 544,931 | 544,931 |
| Heritage assets | 7 | 1,102,112 | 1,102,112 |
| | | 1,335,373,787 | 1,342,785,511 |
| Total Assets | | 1,422,999,581 | 1,457,184,224 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 16 | 3,014,164 | 3,952,564 |
| Payables from exchange transactions | 19 | 51,632,652 | 41,142,099 |
| VAT payable | 20 | 2,150,077 | 8,686,814 |
| Consumer deposits | 21 | 1,477,688 | 1,491,078 |
| Employee benefit obligation | 9 | 758,772 | 735,600 |
| Unspent conditional grants and receipts | 15 | 2,166,407 | 476,520 |
| | | 61,199,760 | 56,484,675 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 16 | 16,796,014 | 19,483,536 |
| Employee benefit obligation | 9 | 42,889,910 | 36,110,698 |
| Provisions | 17 | 13,431,826 | 12,046,934 |
| Long-service awards | 18 | 5,373,153 | 4,795,721 |
| | | 78,490,903 | 72,436,889 |
| Total Liabilities | | 139,690,663 | 128,921,564 |
| Net Assets | | | |
| Accumulated surplus | | 1,283,308,918 | 1,328,262,660 |
| | | 1,283,308,918 | 1,328,262,660 |

* See Note 2 & 44

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Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 24 | 186,223,265 | 160,822,238 |
| Rental of facilities and equipment | | 2,230,967 | 2,304,548 |
| Interest received (Consumer Debtors) | | 24,168,373 | 21,526,047 |
| Agency services | | 9,658,292 | 16,170,527 |
| Licences and permits | | 5,073,328 | 2,615,950 |
| Insurance claims received | 26 | 5,954,482 | 2,749,566 |
| Sundry service charges received | 26 | 652,524 | 906,838 |
| Commissions received | 26 | 88,005 | 58,644 |
| Special readings | 26 | 61,581 | 52,222 |
| Other income | 26 | 2,513,362 | 2,177,064 |
| Donations Received | | 222,142 | - |
| Interest received - Bank | 31 | 812,300 | 771,921 |
| Total revenue from exchange transactions | | 237,658,621 | 210,155,565 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 23 | 57,749,202 | 43,855,099 |
| Transfer revenue | | | |
| Government grants & subsidies | 25 | 98,307,546 | 95,844,669 |
| Traffic fines | | 717,046 | 1,754,944 |
| Human settlement transfer | | 18,349,440 | 86,059,720 |
| Total revenue from non-exchange transactions | | 175,123,234 | 227,514,432 |
| Total revenue | 22 | 412,781,855 | 437,669,997 |
| Expenditure | | | |
| Employee related costs | 28 | (109,881,917) | (95,827,595) |
| Remuneration of councillors | 29 | (6,932,545) | (5,892,045) |
| Depreciation and amortisation | 33 | (56,490,227) | (52,351,855) |
| Impairment loss | 34 | (44,504) | (1,450,297) |
| Finance costs | 35 | (1,967,798) | (4,311,190) |
| Lease rentals on operating lease | 41 | (1,984,720) | (788,536) |
| Debt Impairment | 30 | (103,092,757) | (119,897,717) |
| Repairs and maintenance | | (16,460,069) | (16,904,156) |
| Bulk purchases | 39 | (112,821,550) | (91,981,071) |
| Contracted services | 37 | (8,854,864) | (18,163,492) |
| Transfers and Subsidies | 38 | (4,308,208) | (10,878,040) |
| Donation paid for infrastructure project | | - | (16,121,000) |
| General Expenses | 27 | (34,729,092) | (28,046,989) |
| Total expenditure | | (457,568,251) | (462,613,983) |
| Operating deficit | | (44,786,396) | (24,943,986) |
| Loss on disposal of assets and liabilities | | (176,615) | - |
| Fair value adjustments | 32 | 9,272 | 31,815 |
| Deficit for the year | | (167,343) | 31,815 |
| | | (44,953,739) | (24,912,171) |

* See Note 2 & 44

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|------------------------|----------------------|
| Opening balance as previously reported | 1,450,698,469 | 1,450,698,469 |
| Adjustments | | |
| Other adjustments | 370,647 | 370,647 |
| Prior year adjustments | (97,894,285) | (97,894,285) |
| Balance at 01 July 2013 as restated* | 1,353,174,831 | 1,353,174,831 |
| Changes in net assets | | |
| Surplus for the year | (24,912,171) | (24,912,171) |
| Total changes | (24,912,171) | (24,912,171) |
| Restated* Balance at 01 July 2014 | 1,328,262,658 | 1,328,262,658 |
| Changes in net assets | | |
| Surplus for the year | (44,953,740) | (44,953,740) |
| Total changes | (44,953,740) | (44,953,740) |
| Balance at 30 June 2015 | 1,283,308,918 | 1,283,308,918 |
| Note(s) | | |

* See Note 2 & 44

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand

| Note(s) | 2015 | 2014 Restated* |
|---------|------|-------------------|
|---------|------|-------------------|

Cash flows from operating activities

Receipts

| | | |
|----------------------------|--------------------|--------------------|
| Sale of goods and services | 244,689,513 | 204,677,337 |
| Grants | 96,502,119 | 95,844,669 |
| Interest income | 24,980,673 | 22,297,968 |
| Other cash item | 21,159,212 | 28,790,303 |
| | 387,331,517 | 351,610,277 |

Payments

| | | |
|----------------|----------------------|----------------------|
| Employee costs | (116,814,461) | (101,719,640) |
| Suppliers | (147,493,192) | (139,822,305) |
| Finance costs | (1,967,798) | (4,311,190) |
| | (266,275,451) | (245,853,135) |

Net cash flows from operating activities

40 **121,056,066** **105,757,142**

Cash flows from investing activities

| | | | |
|---|---|---------------------|----------------------|
| Purchase of property, plant and equipment | 5 | (51,402,833) | (29,623,254) |
| Transfer to WIP | 5 | (21,517,301) | (111,712,612) |
| | | (72,920,134) | (141,335,866) |

Cash flows from financing activities

| | | | |
|--|--|---------------------|------------------|
| Repayment of other financial liabilities | | (37,853,720) | 7,857,842 |
| Other cash item | | (744,480) | (138,389) |
| | | (38,580,200) | 7,719,453 |

Net increase/(decrease) in cash and cash equivalents

9,555,732 **(27,859,271)**

4,022,065 31,882,335

Cash and cash equivalents at the end of the year

14 **13,577,796** **4,022,065**

* See Note 2 & 44

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|----------------------|-------------------------------------|--|
| 2015 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 45,697,681 | (1,090,922) | 44,606,759 | - | | 44,606,759 | 57,749,202 | | 13,142,443 | 129 % | 126 % |
| Service charges | 165,435,841 | 4,511,651 | 169,947,492 | - | | 169,947,492 | 186,223,265 | | 16,275,773 | 110 % | 113 % |
| Investment revenue | 22,475 | 10,855 | 33,330 | - | | 33,330 | 9,272 | | (24,058) | 28 % | 41 % |
| Transfers recognised - operational | 61,676,000 | - | 61,676,000 | - | | 61,676,000 | 91,992,077 | | 30,316,077 | 149 % | 149 % |
| Other own revenue | 44,018,861 | 304,637 | 44,323,498 | - | | 44,323,498 | 69,698,814 | | 25,375,316 | 157 % | 158 % |
| Total revenue (excluding capital transfers and contributions) | 316,850,858 | 3,736,221 | 320,587,079 | - | | 320,587,079 | 405,672,630 | | 85,085,551 | 127 % | 128 % |
| Employee costs | (105,195,645) | 2,074 | (105,193,571) | - | - | (105,193,571) | (103,951,772) | - | 1,241,799 | 99 % | 99 % |
| Remuneration of councillors | (6,907,318) | - | (6,907,318) | - | - | (6,907,318) | (6,932,545) | - | (25,227) | 100 % | 100 % |
| Debt impairment | (20,000,000) | - | (20,000,000) | - | | (20,000,000) | (103,092,757) | - | (83,092,757) | 515 % | 515 % |
| Depreciation and asset impairment | (6,228,000) | - | (6,228,000) | - | | (6,228,000) | (56,534,732) | - | (50,306,732) | 908 % | 908 % |
| Finance charges | (1,908,900) | 7,123 | (1,901,777) | - | - | (1,901,777) | (1,967,798) | - | (66,021) | 103 % | 103 % |
| Materials and bulk purchases | (104,809,989) | 647,455 | (104,162,534) | - | - | (104,162,534) | (112,821,550) | - | (8,659,016) | 108 % | 108 % |
| Transfers and grants | (50,926) | - | (50,926) | - | - | (50,926) | (4,295,185) | - | (4,244,259) | 8,434 % | 8,434 % |
| Other expenditure | (71,741,137) | (4,393,055) | (76,134,192) | - | - | (76,134,192) | (62,205,360) | - | 13,928,832 | 82 % | 87 % |
| Total expenditure | (316,841,915) | (3,736,403) | (320,578,318) | - | - | (320,578,318) | (451,801,699) | - | (131,223,381) | 141 % | 143 % |
| Surplus/(Deficit) | 8,943 | (182) | 8,761 | - | | 8,761 | (46,129,069) | | (46,137,830) | 526,527)% | 515,812)% |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|------------|-------------------------------------|--|
| Transfers recognised - capital | - | - | - | - | - | 34,808,546 | - | 34,808,546 | 34,808,546 | DIV/0 % | DIV/0 % |
| Surplus (Deficit) after capital transfers and contributions | 8,943 | (182) | 8,761 | - | 8,761 | (11,320,523) | - | (11,329,284) | (129,215)% | 126,585)% | |
| Surplus/(Deficit) for the year | 8,943 | (182) | 8,761 | - | 8,761 | (11,320,523) | - | (11,329,284) | (129,215)% | 126,585)% | |

Capital expenditure and funds sources

Cash flows

| | | | | | | | | | | | |
|---|----------|----------|----------|----------|------------------|-------------------|------------------|---------------------|----------------|----------------|---------|
| Net cash from (used) operating | - | - | - | - | 121,056,066 | - | 121,056,066 | 121,056,066 | DIV/0 % | DIV/0 % | |
| Net cash from (used) investing | - | - | - | - | - | (72,920,134) | - | (72,920,134) | DIV/0 % | DIV/0 % | |
| Net cash from (used) financing | - | - | - | - | - | (38,580,200) | - | (38,580,200) | DIV/0 % | DIV/0 % | |
| Net increase/(decrease) in cash and cash equivalents | - | - | - | - | 9,555,732 | - | 9,555,732 | 9,555,732 | DIV/0 % | DIV/0 % | |
| Cash and cash equivalents at the beginning of the year | - | - | - | - | - | 4,022,065 | - | 4,022,065 | 4,022,065 | DIV/0 % | DIV/0 % |
| Cash and cash equivalents at year end | - | - | - | - | - | 13,577,797 | - | (13,577,797) | DIV/0 % | DIV/0 % | |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|--|-----------------------------------|---|-------------------------|--------------------------|
| 2014 | | | | |
| Financial Performance | | | | |
| Property rates | | | 43,855,099 | |
| Service charges | | | 160,822,238 | |
| Investment revenue | | | 771,921 | |
| Transfers recognised - operational | | | 58,108,960 | |
| Other own revenue | | | 136,407,886 | |
| Total revenue (excluding capital transfers and contributions) | | | 399,966,104 | |
| Employee costs | - | - | - | (95,827,595) |
| Remuneration of councillors | - | - | - | (5,892,045) |
| Debt impairment | - | - | - | (119,897,717) |
| Depreciation and asset impairment | - | - | - | (53,802,151) |
| Finance charges | - | - | - | (4,311,190) |
| Materials and bulk purchases | - | - | - | (91,981,071) |
| Transfers and grants | - | - | - | (10,878,040) |
| Other expenditure | - | - | - | (80,024,174) |
| Total expenditure | - | - | - | (462,613,983) |
| Surplus/(Deficit) | | | (62,647,879) | |
| Transfers recognised - capital | | | 37,735,709 | |
| Surplus (Deficit) after capital transfers and contributions | | | (24,912,170) | |
| Surplus/(Deficit) for the year | | | (24,912,170) | |
| Capital expenditure and funds sources | | | | |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|-----------------------------------|---|-------------------------|--------------------------|
| Cash flows | | | | |
| Net cash from (used) operating | | | 105,757,142 | |
| Net cash from (used) investing | | | (141,335,866) | |
| Net cash from (used) financing | | | 7,719,453 | |
| Net increase/(decrease) in cash and cash equivalents | | | (27,859,271) | |
| Cash and cash equivalents at the beginning of the year | | | 31,881,337 | |
| Cash and cash equivalents at year end | | | 4,022,066 | |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item | Useful life |
|----------------------|-------------|
| Property - land | indefinite |
| Property - buildings | 50 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|--------------------------------|---------------------|
| Land and Buildings - Land | Indefinite |
| Land and Buildings - Buildings | 50 years |
| Moveable assets | |
| • Furniture & Fittings | 7 |
| • Emergency Equipment | 20 |
| • Motor Vehicles | 5 - 10 |
| • Plant and equipment | 5 |
| • Office equipment | 3 - 5 |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment (continued)

| | |
|---------------|---------------|
| • Electricity | 5 - 60 years |
| • Roads | 2 - 50 years |
| • Water | 5 - 100 years |
| • Sanitation | 5 - 100 years |

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|-------------------|-------------|
| Computer software | indefinite |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from a entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

– Liquidity risk is the risk encountered by a entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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Accounting Policies

1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---------------------------|--|
| Other financial assets | Financial asset measured at fair value |
| Investments | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Other receivables | Financial asset measured at amortised cost |
| Trade receivables | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|-----------------------------|--|
| Other financial liabilities | Financial liability measured at amortised cost |
| Other payables | Financial liability measured at amortised cost |
| Trade payables | Financial liability measured at amortised cost |

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the intial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Victor Khanye Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Tax

Value added tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Victor Khanye Local Municipality

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Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

— Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or

Victor Khanye Local Municipality

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Accounting Policies

1.12 Discontinued Operations (continued)

- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Victor Khanye Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

- After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Victor Khanye Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

- When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
 - as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
 - as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

- Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Victor Khanye Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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Accounting Policies

1.15 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Employee benefits (continued)

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

— Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation can't be measured reliably;

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the mFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.26 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.28 Events after reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the municipality discloses the nature and an estimate of the financial effect.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

2015

2014

2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of functions between entities not under common control

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

3. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, *inter alia*, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

Victor Khanye Local Municipality

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Notes to the Financial Statements

3. New standards and interpretations (continued)

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Victor Khanye Local Municipality

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3. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

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4. Investment property

| | 2015 | | | 2014 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 72,890,015 | (17,246,412) | 55,643,603 | 73,408,475 | (14,658,100) | 58,750,375 |

Reconciliation of investment property - 2015

| | Opening balance | Disposals | Depreciation | Total |
|---------------------|-----------------|-----------|--------------|------------|
| Investment property | 58,750,375 | (518,460) | (2,588,312) | 55,643,603 |

Reconciliation of investment property - 2014

| | Opening balance | Depreciation | Total |
|---------------------|-----------------|--------------|------------|
| Investment property | 61,338,687 | (2,588,312) | 58,750,375 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Victor Khanye Local Municipality

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5. Property, plant and equipment

| | 2015 | | 2014 | | | |
|--------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and Buildings - Land | 403,630,258 | - | 403,630,258 | 406,072,355 | - | 406,072,355 |
| Land and Buildings - Buildings | 154,720,201 | (63,817,442) | 90,902,759 | 154,525,606 | (55,798,884) | 98,726,722 |
| Work in Progress | 626,859 | - | 626,859 | 111,712,612 | - | 111,712,612 |
| Furniture and fittings | 3,795,824 | (1,556,554) | 2,239,270 | 3,557,052 | (1,068,902) | 2,488,150 |
| Motor vehicles | 14,550,207 | (3,086,183) | 11,464,024 | 12,744,779 | (2,448,477) | 10,296,302 |
| Office equipment | 3,548,048 | (1,606,319) | 1,941,729 | 3,005,468 | (840,827) | 2,164,641 |
| Infrastructure - Electricity | 185,844,750 | (87,549,560) | 98,295,190 | 144,485,824 | (81,502,363) | 62,983,461 |
| Plant and Equipment | 1,759,808 | (748,126) | 1,011,682 | 1,632,910 | (463,903) | 1,169,007 |
| Emergency Equipment | 1,699,626 | (569,936) | 1,129,690 | 1,699,626 | (489,520) | 1,210,106 |
| Infrastructure - Roads | 457,397,465 | (224,938,575) | 232,458,890 | 441,935,745 | (207,884,159) | 234,051,586 |
| Infrastructure - Sanitation | 343,727,177 | (157,585,899) | 186,141,278 | 310,193,980 | (149,022,166) | 161,171,814 |
| Infrastructure - Water | 454,121,423 | (205,879,911) | 248,241,512 | 384,258,724 | (193,917,387) | 190,341,337 |
| Total | 2,025,421,646 | (747,338,505) | 1,278,083,141 | 1,975,824,681 | (693,436,588) | 1,282,388,093 |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|--------------------------------|----------------------|-------------------|--------------------|----------------|---------------------|----------------------|
| Land and Buildings - Land | 406,072,355 | - | (2,442,097) | - | - | 403,630,258 |
| Land and Buildings - Buildings | 98,726,722 | 194,595 | - | - | (8,018,559) | 90,902,758 |
| Work in progress | 111,712,612 | - | - | (111,085,753) | - | 626,859 |
| Furniture and fittings | 2,488,150 | 240,332 | - | - | (489,212) | 2,239,270 |
| Motor vehicles | 10,296,302 | 1,810,205 | - | - | (642,483) | 11,464,024 |
| Office equipment | 2,164,641 | 536,772 | - | - | (759,684) | 1,941,729 |
| Infrastructure - Electricity | 62,983,461 | 3,595,333 | - | 37,763,595 | (6,047,200) | 98,295,189 |
| Plant and Equipment | 1,169,007 | 108,123 | - | - | (265,448) | 1,011,682 |
| Emergency Equipment | 1,210,106 | 1,280 | - | - | (81,696) | 1,129,690 |
| Infrastructure - Roads | 234,051,585 | 6,646,909 | - | 8,814,807 | (17,054,411) | 232,458,890 |
| Infrastructure - Sanitation | 161,171,814 | 12,800,392 | - | 20,732,805 | (8,563,733) | 186,141,278 |
| Infrastructure - Water | 190,341,337 | 25,468,891 | - | 44,393,807 | (11,962,523) | 248,241,512 |
| | 1,282,388,092 | 51,402,832 | (2,442,097) | 619,261 | (53,884,949) | 1,278,083,139 |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

| | Opening balance | Additions | Transfers received | Other changes, movements | Depreciation | Impairment loss | Total |
|--------------------------------|----------------------|-------------------|--------------------|--------------------------|---------------------|-----------------|----------------------|
| Land and Buildings - Land | 406,072,355 | - | - | - | - | - | 406,072,355 |
| Land and Buildings - Buildings | 99,483,765 | 6,347,075 | - | - | (7,104,118) | - | 98,726,722 |
| Work in Progress | - | - | 111,712,612 | - | - | - | 111,712,612 |
| Furniture and fittings | 2,754,981 | 189,967 | - | - | (455,578) | (1,220) | 2,488,150 |
| Motor vehicles | 10,298,893 | 630,570 | - | - | (631,601) | (1,560) | 10,296,302 |
| Office equipment | 2,191,762 | 567,468 | - | - | (594,589) | - | 2,164,641 |
| Infrastructure - Electricity | 61,993,559 | 6,261,479 | - | - | (5,271,577) | - | 62,983,461 |
| Plant and Equipment | 1,359,977 | 63,379 | - | - | (254,349) | - | 1,169,007 |
| Emergency Equipment | 1,291,449 | - | - | - | (81,343) | - | 1,210,106 |
| Infrastructure - Roads | 240,483,885 | 9,740,341 | - | - | (16,172,641) | - | 234,051,585 |
| Infrastructure - Sanitation | 169,062,396 | 179,975 | - | - | (8,070,557) | - | 161,171,814 |
| Infrastructure - Water | 211,722,254 | 5,643,000 | - | (16,121,000) | (10,902,917) | - | 190,341,337 |
| | 1,206,715,276 | 29,623,254 | 111,712,612 | (16,121,000) | (49,539,270) | (2,780) | 1,282,388,092 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

| | 2015 | | | 2014 | | |
|------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Servitudes | 544,931 | - | 544,931 | 544,931 | - | 544,931 |

Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2015

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6. Intangible assets (continued)

Reconciliation of intangible assets - 2015

| | Opening balance | Total |
|------------|-----------------|---------|
| Servitudes | 544,931 | 544,931 |

Reconciliation of intangible assets - 2014

| | Opening balance | Total |
|------------|-----------------|---------|
| Servitudes | 544,931 | 544,931 |

7. Heritage assets

| | 2015 | | 2014 | |
|----------------------|------------------|-------------------------------|------------------|-------------------------------|
| | Cost / Valuation | Accumulated impairment losses | Cost / Valuation | Accumulated impairment losses |
| Historical monuments | 1,102,112 | - | 1,102,112 | - |

Reconciliation of heritage assets 2015

| | Opening balance | Total |
|----------------------|-----------------|-----------|
| Historical monuments | 1,102,112 | 1,102,112 |

Reconciliation of heritage assets 2014

| | Opening balance | Total |
|----------------------|-----------------|-----------|
| Historical monuments | 1,102,112 | 1,102,112 |

8. Other financial assets

At amortised cost

| | | |
|--|---------|---------|
| Listed investment - Sanlam | 134,007 | 124,735 |
| The number of shares is 2020 calculated at a closing price of R66,34 (2014:R61,75) per share as at 30 June 2015. | | |

Current assets

| | | |
|-------------------|---------|---------|
| At amortised cost | 134,007 | 124,735 |
|-------------------|---------|---------|

Victor Khanye Local Municipality

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9. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of the post-employment medical aid subsidy governed by the Medical Schemes Act 1998.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The municipality has requested Arch Actuarial Consulting to prepare an actuarial valuation of the municipality's liability as at 30 June 2015 based on the post-employment health care benefits. The valuation was done to ensure appropriate provision in accordance with GRAP25. The actuarial valuation method used was the "Projected Unit Credit Method" as prescribed by GRAP25.

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (43,648,682) | (36,846,298) |
| Non-current liabilities | (42,889,910) | (36,110,698) |
| Current liabilities | (758,772) | (735,600) |
| | (43,648,682) | (36,846,298) |

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|-------------------|-------------------|
| Opening balance | 36,346,298 | 30,347,311 |
| Benefits paid | (1,344,440) | (818,544) |
| Net expense recognised in the statement of financial performance | 8,646,824 | 6,817,531 |
| | 43,648,682 | 36,346,298 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|------------------|------------------|
| Current service cost | 2,732,413 | 2,245,323 |
| Interest cost | 3,321,845 | 2,649,863 |
| Actuarial (gains) losses | 2,592,566 | 1,922,345 |
| | 8,646,824 | 6,817,531 |

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------------------|--------|--------|
| Discount rates used | 9.16 % | 9.23 % |
| Expected increase in salaries | 7.50 % | 6.50 % |
| Expected increase in healthcare costs | 8.22 % | 8.36 % |

Victor Khanye Local Municipality

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10. Inventories

| | | |
|-------------|------------------|------------------|
| Consumables | 897,817 | 1,138,015 |
| Fuel | 242,455 | 54,513 |
| Water | 209,415 | 212,314 |
| | 1,349,687 | 1,404,842 |

11. Receivables from exchange transactions

| | | |
|-------------------|------------------|------------------|
| Sundry receivable | 1,780,979 | 1,780,979 |
| Sundry Deposits | 894,055 | 894,055 |
| | 2,675,034 | 2,675,034 |

12. Receivables from non-exchange transactions

| | | |
|-------|---------|---------|
| Fines | 650,526 | 183,485 |
|-------|---------|---------|

Traffic fines has been accounted for in terms of iGRAP1. The number of traffic fines issued during the year was compared to the number of traffic fines that were paid during the year. An average payment ratio was calculated as this was the best management estimate that could be made based on available information.

13. Consumer debtors

Gross balances

| | | |
|----------------|--------------------|--------------------|
| Rates | 76,717,964 | 54,811,174 |
| Electricity | 22,626,627 | 20,827,864 |
| Water | 126,565,842 | 126,741,971 |
| Sewerage | 15,388,062 | 15,138,597 |
| Refuse | 11,385,072 | 11,107,977 |
| Sundry debtors | 119,408,898 | 124,964,816 |
| | 372,092,465 | 353,592,399 |

Less: Allowance for impairment

| | | |
|----------------|----------------------|----------------------|
| Rates | (58,312,803) | (50,701,422) |
| Electricity | (10,964,858) | (15,937,173) |
| Water | (103,979,014) | (116,786,479) |
| Sewerage | (13,007,652) | (14,592,797) |
| Refuse | (9,499,760) | (10,616,446) |
| Sundry debtors | (107,089,634) | (38,969,530) |
| | (302,853,721) | (247,603,847) |

Net balance

| | | |
|----------------|-------------------|--------------------|
| Rates | 18,405,161 | 4,109,752 |
| Electricity | 11,661,769 | 4,890,691 |
| Water | 22,586,828 | 9,955,492 |
| Sewerage | 2,380,410 | 545,800 |
| Refuse | 1,885,312 | 491,531 |
| Sundry debtors | 12,319,264 | 85,995,286 |
| | 69,238,744 | 105,988,552 |

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13. Consumer debtors (continued)

Included in above is receivables from exchange transactions

| | | |
|----------------|-------------------|--------------------|
| Electricity | 11,661,769 | 4,890,691 |
| Water | 22,586,828 | 9,955,492 |
| Sewerage | 2,380,410 | 545,800 |
| Refuse | 1,885,312 | 491,531 |
| Sundry debtors | 12,319,264 | 85,995,286 |
| | 50,833,583 | 101,878,800 |

Included in above is receivables from non-exchange transactions (taxes and transfers)

| | | |
|-------|------------|-----------|
| Rates | 18,405,161 | 4,109,752 |
|-------|------------|-----------|

Net balance

| | | |
|--|-------------------|--------------------|
| | 69,238,744 | 105,988,552 |
|--|-------------------|--------------------|

Rates

| | | |
|----------------------|-------------------|------------------|
| Current (0 -30 days) | 3,418,322 | 2,947,192 |
| 31 - 60 days | 1,897,720 | 1,162,560 |
| 61 - 90 days | 1,319,355 | - |
| 91 - 120 days | 942,541 | - |
| 121 - 180 days | 563,818 | - |
| > 180 days | 10,263,405 | - |
| | 18,405,161 | 4,109,752 |

Electricity

| | | |
|----------------------|-------------------|------------------|
| Current (0 -30 days) | 8,502,204 | 4,890,691 |
| 31 - 60 days | 2,787,251 | - |
| 61 - 90 days | 400,779 | - |
| 91 - 120 days | (827,415) | - |
| 121 - 180 days | 75,800 | - |
| > 180 days | 723,150 | - |
| | 11,661,769 | 4,890,691 |

Water

| | | |
|----------------------|-------------------|------------------|
| Current (0 -30 days) | 3,829,853 | 6,353,404 |
| 31 - 60 days | 4,501,318 | 3,602,088 |
| 61 - 90 days | 1,625,714 | - |
| 91 - 120 days | 1,234,072 | - |
| 121 - 180 days | 728,862 | - |
| > 181 days | 10,667,009 | - |
| | 22,586,827 | 9,955,492 |

Sewerage

| | | |
|----------------------|------------------|----------------|
| Current (0 -30 days) | 445,264 | 511,127 |
| 31 - 60 days | 240,390 | 34,673 |
| 61 - 90 days | 152,793 | - |
| 91 - 120 days | 111,820 | - |
| 121 - 180 days | 56,332 | - |
| > 181 days | 1,373,811 | - |
| | 2,380,410 | 545,800 |

Victor Khanye Local Municipality

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13. Consumer debtors (continued)

Refuse

| | | |
|----------------------|------------------|----------------|
| Current (0 -30 days) | 448,494 | 491,531 |
| 31 - 60 days | 189,214 | - |
| 61 - 90 days | 125,347 | - |
| 91 - 120 days | 78,681 | - |
| 121 - 180 days | 46,600 | - |
| > 180 days | 996,976 | - |
| | 1,885,312 | 491,531 |

Sundry debtors

| | | |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 1,571,231 | 1,883,912 |
| 31 - 60 days | 1,381,356 | 1,737,504 |
| 61 - 90 days | 1,075,327 | 1,711,941 |
| 91 - 120 days | 743,741 | 80,661,929 |
| 121 - 180 days | 392,225 | - |
| > 180 days | 7,155,384 | - |
| | 12,319,264 | 85,995,286 |

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13. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers

| | | |
|--------------------------------|-------------------|-------------------|
| Current (0 -30 days) | 14,098,333 | 8,839,292 |
| 31 - 60 days | 12,960,178 | 6,543,858 |
| 61 - 90 days | 6,189,643 | 5,360,165 |
| 91 - 120 days | 5,954,171 | 260,755,636 |
| 121 - 180 days | 5,330,442 | - |
| > 365 days | 232,549,727 | - |
| | 277,082,494 | 281,498,951 |
| Less: Allowance for impairment | (235,904,150) | (197,120,255) |
| | 41,178,344 | 84,378,696 |

Industrial/ commercial

| | | |
|--------------------------------|-------------------|-------------------|
| Current (0 -30 days) | 8,874,050 | 9,917,790 |
| 31 - 60 days | 3,280,860 | 4,852,491 |
| 61 - 90 days | 2,238,016 | 7,159,164 |
| 91 - 120 days | 2,067,352 | 29,669,198 |
| 121 - 180 days | 1,962,551 | - |
| > 180 days | 60,213,152 | - |
| | 78,635,981 | 51,598,643 |
| Less: Allowance for impairment | (52,149,538) | (36,132,062) |
| | 26,486,443 | 15,466,581 |

National and provincial government

| | | |
|--------------------------------|-------------------|------------------|
| Current (0 -30 days) | 863,612 | 1,130,998 |
| 31 - 60 days | 379,101 | 543,548 |
| 61 - 90 days | 362,316 | 525,024 |
| 91 - 120 days | 311,544 | 18,295,234 |
| 121 - 365 days | 299,661 | - |
| > 365 days | 10,582,077 | - |
| | 12,798,311 | 20,494,804 |
| Less: Allowance for impairment | - | (14,351,531) |
| | 12,798,311 | 6,143,273 |

Total

| | | |
|--------------------------------|-------------------|--------------------|
| Current (0 -30 days) | 23,835,995 | 19,888,081 |
| 31 - 60 days | 16,620,139 | 11,939,897 |
| 61 - 90 days | 8,789,976 | 13,044,353 |
| 91 - 120 days | 8,333,067 | 308,720,068 |
| 121 - 180 days | 7,592,654 | - |
| > 180 days | 303,344,956 | - |
| | 368,516,787 | 353,592,399 |
| Less: Allowance for impairment | (299,278,043) | (247,603,847) |
| | 69,238,744 | 105,988,552 |

Less: Allowance for impairment

| | | |
|----------------------|---------------|---------------|
| Current (0 -30 days) | (4,371,153) | - |
| 31 - 60 days | (5,745,946) | - |
| 61 - 90 days | (4,609,323) | (1,831,291) |
| 91 - 120 days | (5,368,939) | (13,043,995) |
| 121 - 180 days | (5,757,061) | (232,728,563) |
| > 180 days | (277,001,300) | - |

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13. Consumer debtors (continued)

(302,853,722) (247,603,849)

Reconciliation of allowance for impairment

| | | |
|----------------------------------|---------------|---------------|
| Balance at beginning of the year | (247,603,849) | (62,024,917) |
| Contributions to allowance | (55,249,873) | (19,935,366) |
| Reversal of allowance | - | (165,643,566) |
| | (302,853,722) | (247,603,849) |

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R 302,853,721 (2014: R 247,603,849) were impaired and provided for.

The amount of the provision was R 103,092,757 as of 30 June 2015 (2014: R 185,578,930).

14. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------|-------------------|------------------|
| Cash on hand | 4,975 | 4,975 |
| Bank balances | 13,572,821 | 4,017,090 |
| | 13,577,796 | 4,022,065 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|----------------------------------|-------------------------|------------------|-------------------|--------------------|------------------|-------------------|
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2015 | 30 June 2014 | 30 June 2013 |
| Standard Bank - Cheque 420506994 | 3,876,443 | 4,610,690 | 34,834,970 | (1,697,204) | 533,756 | 30,521,842 |
| ABSA Bank - 8500000026 | 15,270,025 | 3,483,334 | 1,335,636 | 15,270,025 | 3,483,334 | 1,355,520 |
| ABSA Bank - 8500000026 | - | - | 5 | - | - | - |
| ABSA Bank - 4059973155 | - | - | 11,454 | - | - | - |
| ABSA Bank - 4075281552 | - | - | 8,425 | - | - | - |
| Total | 19,146,468 | 8,094,024 | 36,190,490 | 13,572,821 | 4,017,090 | 31,877,362 |

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--|------------------|----------------|
| Municipal Infrastructure Grant | 2,121,907 | 476,520 |
| Expanded Public Works Programme Grant (EPWP) | 44,500 | - |
| | 2,166,407 | 476,520 |

See note 25 for reconciliation of grants from National/Provincial Government.

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16. Other financial liabilities

At amortised cost

| | | |
|--|-------------------|-------------------|
| Development Bank of Southern Africa - DBSA 61001052 | 6,441 | 19,291 |
| The loan bears interest at a fixed rate of 9.03% per annum. The loan is repayable in bi-annual installments of R6 425 over an initial period of 3 years. The loan matures on 31 December 2015. | | |
| Development Bank of Southern Africa - DBSA 61001053 | 5,463,467 | 6,259,882 |
| The loan bears interest at a fixed rate of 6.75% per annum. The loan is repayable in bi-annual installments of R602 952 over an initial period of 8 years. The loan matures on 31 December 2020. | | |
| ABSA - 30-2482-8114 | 520,301 | 1,510,390 |
| The loan bears interest at a variable rate. The loan is repayable in 4 monthly installments over an initial period of 96, 4 monthly periods. The loan matures on 1 February 2016. | | |
| ABSA - 30-2417-5133 | - | 345,258 |
| The loan bears interest at a variable rate. The loan is repayable in quarterly installments over an initial period of 84, quarterly periods. The loan matured on 31 January 2015. | | |
| Nedbank | 13,819,968 | 15,301,281 |
| The loan bears interest at a fixed rate of 10.03% per annum. The loan is repayable in quarterly installments of R732 668 over an initial period of 8 years. The loan matures on 1 July 2021. | | |
| | 19,810,177 | 23,436,102 |

Total other financial liabilities

The municipality have not defaulted on any loan payments during the year.

Non-current liabilities

| | | |
|-------------------|-------------------|-------------------|
| At amortised cost | 16,796,014 | 19,483,536 |
| | 19,810,177 | 23,436,102 |

Current liabilities

| | | |
|-------------------|------------------|------------------|
| At amortised cost | 3,014,164 | 3,952,564 |
| | 3,014,164 | 3,952,564 |

Victor Khanye Local Municipality

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17. Provisions

Reconciliation of provisions - 2015

| | Opening Balance | Additions | Total |
|------------------------------|-----------------|-----------|------------|
| Environmental rehabilitation | 12,046,934 | 1,384,892 | 13,431,826 |

Reconciliation of provisions - 2014

| | Opening Balance | Additions | Total |
|------------------------------|-----------------|-----------|------------|
| Environmental rehabilitation | 11,467,810 | 579,124 | 12,046,934 |

Environmental rehabilitation provision

The landfill site's financial implications were determined by Jan Palm Consulting Engineers as at 30 June 2015 in terms of Section 28 of the National Environmental Management Act, Act No. 107 of 1998. The site, in terms of current legislation, is operating legally, as a permit exists.

The Delmas landfill site was designed with a potential initial operating lifetime of 33 years, which incorporated 3 phases. Phase 1 was estimated to provide 12 years of lifetime, but lasted 19 years, which effectively extended the total lifetime of the landfill.

The original calculations were based on the total available airspace volume of 1 192 386 m³ (which accommodates waste plus cover material). The report indicates that this total volume would last 33 years if the disposal volume increased with 2.5% per annum. This is true if a total disposal volume of 23 680m³ is used for the initial year. For phase 1 to have had a planned lifetime of 12 years, a capacity of 326 679m³ was required.

The 326 679m³ volume actually provided 19 years of airspace, which requires the initial disposal volume to be recalculated to 13 624.32m³. The 2.5% annual escalation applied to the 13 642.32m³ initial disposal volume, gives a current annual disposal volume of 21 277.36m³.

The remaining airspace volume is 1 192 386m³ – 326 679m³ = 865 707m³.

StatsSA indicates the latest population growth rate as 2.92% per annum. Applying this growth rate to the current annual airspace consumption of 21 277.36m³ (calculated above), the total remaining 865 707m³ will be consumed in approximately 28 years.

18. Long-service awards

An actuarial valuation has been performed of the Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards.

The effective date of this valuation is 30 June 2015 and its purpose is to enable the Municipality to provide appropriate disclosure in respect of this liability.

There are 388 employees that are currently entitled to Long Service Leave Awards.

The unfunded liability in respect of past service has been estimated to be R5 373,153.

The current-service cost for the year ending 30 June 2015 is R632 677. The current-service cost for the ensuing year has been estimated to be R777 428.

The expected remaining working-lifetime of eligible employees is 16,6 years.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

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|---|--------------------|--------------------|
| 19. Payables from exchange transactions | | |
| Trade payables | 14,881,967 | 16,360,617 |
| Payments received in advance (Pre-paid electricity) | 341,888 | 914,488 |
| Payroll related cost control accounts | 465,569 | 67,935 |
| Retention | 3,264,053 | 3,986,058 |
| Accrued leave pay | 5,293,293 | 6,427,659 |
| Sundry creditors | 22,979,265 | 9,582,906 |
| Debtors with credit balances | 4,406,617 | 3,802,436 |
| | 51,632,652 | 41,142,099 |
| 20. VAT payable | | |
| VAT Refundable | (26,875,303) | (10,169,950) |
| VAT accrued | 29,025,380 | 18,856,764 |
| | 2,150,077 | 8,686,814 |
| 21. Consumer deposits | | |
| Water and Electricity | 1,477,688 | 1,491,078 |
| 22. Revenue | | |
| Service charges | 186,223,265 | 160,822,238 |
| Rental of facilities and equipment | 2,230,967 | 2,304,548 |
| Interest received (Consumer Debtors) | 24,168,373 | 21,526,047 |
| Agency services | 9,658,292 | 16,170,527 |
| Licences and permits | 5,073,328 | 2,615,950 |
| Insurance claims received | 5,954,482 | 2,749,566 |
| Sundry service charges received | 652,524 | 906,838 |
| Commissions received | 88,005 | 58,644 |
| Special readings | 61,581 | 52,222 |
| Other income | 2,513,362 | 2,177,064 |
| Donations Received | 222,142 | - |
| Interest received - investment | 812,300 | 771,921 |
| Property rates | 57,749,202 | 43,855,099 |
| Government grants & subsidies | 98,307,546 | 95,844,669 |
| Fines, Penalties and Forfeits | 717,046 | 1,754,944 |
| Human settlement transfer | 18,349,440 | 86,059,720 |
| | 412,781,855 | 437,669,997 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Service charges | 186,223,265 | 160,822,238 |
| Rental of facilities and equipment | 2,230,967 | 2,304,548 |
| Interest received (Consumer Debtors) | 24,168,373 | 21,526,047 |
| Agency services | 9,658,292 | 16,170,527 |
| Licences and permits | 5,073,328 | 2,615,950 |
| Insurance claims received | 5,954,482 | 2,749,566 |
| Sundry service charges received | 652,524 | 906,838 |
| Commissions received | 88,005 | 58,644 |
| Special readings | 61,581 | 52,222 |
| Other income | 2,513,362 | 2,177,064 |
| Donations Received | 222,142 | - |
| Interest received - investment | 812,300 | 771,921 |
| | 237,658,621 | 210,155,565 |

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22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

| | | |
|-------------------------------|--------------------|--------------------|
| Property rates | 57,749,202 | 43,855,099 |
| Transfer revenue | | |
| Government grants & subsidies | 98,307,546 | 95,844,669 |
| Fines, Penalties and Forfeits | 717,046 | 1,754,944 |
| Human settlement transfer | 18,349,440 | 86,059,720 |
| | 175,123,234 | 227,514,432 |

23. Property rates

Rates received

| | | |
|-------------|-------------------|-------------------|
| Commercial | 21,243,254 | 9,597,754 |
| Government | 3,521,571 | 1,710,916 |
| Residential | 32,984,377 | 32,546,428 |
| | 57,749,202 | 43,855,098 |

Valuations

| | | |
|----------------------|----------------------|----------------------|
| Residential | 1,490,693,045 | 1,774,065,200 |
| Commercial | 502,529,600 | 459,096,000 |
| Government | 219,685,000 | 101,450,000 |
| Municipal | 322,032,680 | 211,636,900 |
| Farms / Agricultural | 4,726,353,400 | 3,654,415,000 |
| | 7,261,293,725 | 6,200,663,100 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The basic rates applied were as follows:

| | 2015 | 2014 |
|--|--------|---------|
| Residential | 0.0094 | 0.01052 |
| Commercial | 0.0211 | 0.02428 |
| Vacant land (residential and commercial) | 0.0630 | 0.06448 |
| Vacant land (agricultural holdings) | 0.0187 | 0.00264 |
| Farms / Agricultural | 0.0024 | 0.00264 |

24. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Sale of electricity | 121,250,132 | 99,499,676 |
| Sale of water | 46,506,779 | 44,206,354 |
| Sewerage and sanitation charges | 8,598,378 | 8,041,101 |
| Refuse removal | 9,867,976 | 9,075,107 |
| | 186,223,265 | 160,822,238 |

Victor Khanye Local Municipality

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25. Government grants and subsidies

Operating grants

| | | |
|---------------------------------------|------------|------------|
| Equitable share | 59,142,000 | 53,533,000 |
| Financial Management Grant | 1,600,000 | 1,550,000 |
| Municipal Systems Improvement Grant | 934,000 | 890,000 |
| Expanded Public Works Programme Grant | 1,823,000 | 2,135,960 |
| | 63,499,000 | 58,108,960 |

Capital grants

| | | |
|--|-------------------|-------------------|
| Municipal Infrastructure Grant (MIG) | 21,483,617 | 23,633,000 |
| Municipal Infrastructure Support Agency Grant (MISA) | 2,207,999 | - |
| Donations from District Municipality | 8,646,931 | 12,902,709 |
| Integrated National Electrification Programme (Municipal) Grant (INEP) | 2,470,000 | 1,200,000 |
| | 34,808,547 | 37,735,709 |
| | 98,307,547 | 95,844,669 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|-------------------|--------------------|
| Conditional grants received | 39,165,547 | 82,271,000 |
| Unconditional grants received | 59,142,000 | 53,533,000 |
| | 98,307,547 | 135,804,000 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share

| | | |
|---|--------------|--------------|
| Current-year receipts | 59,142,000 | 53,533,000 |
| Conditions met - transferred to revenue | (59,142,000) | (53,533,000) |
| | - | - |

Municipal Infrastructure Grant (MIG)

| | | |
|---|------------------|----------------|
| Balance unspent at beginning of year | 476,520 | - |
| Current-year receipts | 23,570,000 | 23,633,000 |
| Conditions met - transferred to revenue | (21,924,613) | (23,156,480) |
| | 2,121,907 | 476,520 |

Financial Management Grant (FMG)

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,600,000 | 1,550,000 |
| Conditions met - transferred to revenue | (1,600,000) | (1,550,000) |
| | - | - |

Municipal Systems Improvement Grant (MSIG)

| | | |
|---|-----------|-----------|
| Current-year receipts | 934,000 | 890,000 |
| Conditions met - transferred to revenue | (934,000) | (890,000) |
| | - | - |

Integrated National Electrification Programme (Municipal) Grant

Victor Khanye Local Municipality

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25. Government grants and subsidies (continued)

| | | |
|---|-------------|-------------|
| Current-year receipts | 2,470,000 | 1,200,000 |
| Conditions met - transferred to revenue | (2,470,000) | (1,200,000) |
| | - | - |

Donations from District Municipality

| | | |
|---|-------------|--------------|
| Current-year receipts | 8,646,931 | 12,902,709 |
| Conditions met - transferred to revenue | (8,646,931) | (12,902,709) |
| | - | - |

Expanded Public Works Programme Grant (EPWP)

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | - | 670,960 |
| Current-year receipts | 1,823,000 | 1,465,000 |
| Conditions met - transferred to revenue | (1,778,500) | (2,135,960) |
| | 44,500 | - |

Municipal Infrastructure Support Agency Grant

| | | |
|---|-------------|---|
| Current-year receipts | 2,207,999 | - |
| Conditions met - transferred to revenue | (2,207,999) | - |
| | - | - |

26. Other revenue

| | | |
|---|-----------|-----------|
| Administration and management fees received - third party | 5,954,482 | 2,749,566 |
| Sundry service charges received | 652,524 | 906,838 |
| Commissions received | 88,005 | 58,644 |
| Special readings | 61,581 | 52,222 |
| Other income | 2,513,362 | 2,177,064 |
| Donations Received | 222,142 | - |
| | 9,492,096 | 5,944,334 |

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27. General expenses

| | | |
|--------------------------------------|-------------------|-------------------|
| Advertising | 526,122 | 734,626 |
| Auditors remuneration | 4,038,876 | 3,970,368 |
| Bank charges | 578,619 | 600,309 |
| Computer expenses | 2,316 | - |
| Consulting and professional fees | 1,264,925 | 2,171,850 |
| Consumables | 44,830 | 108,795 |
| Entertainment | 176,278 | 301,330 |
| Contributions to capital expenditure | (221,189) | (4,152,951) |
| Community development and training | 2,101,645 | 1,711,862 |
| ICT expenses | 4,852,855 | 3,280,619 |
| Vehicle cost | 4,575,091 | 4,789,444 |
| Marketing & communications | 284,377 | 819,888 |
| Literature & publications | - | 13,312 |
| Radio licences | 30,790 | 4,282 |
| Pest control | 80,490 | 86,839 |
| Printing and stationery | 466,991 | 733,447 |
| Protective clothing | 825,327 | 610,618 |
| Subscriptions and membership fees | 1,170,688 | 910,226 |
| Telephone and fax | 1,462,499 | 1,045,619 |
| Training | 563,307 | 806,286 |
| Travel - local | 1,462,502 | 1,476,462 |
| Refuse containers & bags | 384,781 | 137,150 |
| Electricity | 5,391,800 | 2,995,797 |
| Sewerage and waste disposal | 18,877 | 53,014 |
| Water | 452,766 | 560,409 |
| Postage of accounts | 617,350 | 689,196 |
| Chemicals | 1,170,200 | 2,184,180 |
| Rehabilitation of landfill site | 1,384,892 | 579,124 |
| Water research | 170,703 | 134,066 |
| Other expenses | 850,382 | 690,820 |
| | 34,729,090 | 28,046,987 |

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|--|--------------------|-------------------|
| 28. Employee related costs | | |
| Basic | 58,533,376 | 53,712,580 |
| Medical aid - company contributions | 3,604,112 | 3,136,590 |
| UIF | 496,032 | 459,469 |
| SDL | 700,902 | 718,940 |
| Other payroll levies | 28,544 | 25,413 |
| Pension and provident fund contributions | 12,114,397 | 11,078,843 |
| Standby allowance | 4,499,421 | 1,165,099 |
| Defined contribution plans | 6,802,384 | 6,498,987 |
| Travel, motor car, accommodation, subsistence and other allowances | 4,888,907 | 3,938,162 |
| Overtime payments | 5,435,688 | 4,695,883 |
| Long-service awards | 577,432 | 511,925 |
| Housing benefits and allowances | 432,797 | 468,317 |
| Annual Bonus | 3,802,181 | 3,424,233 |
| Provision for leave expense | 2,670,119 | 1,124,410 |
| | 104,586,292 | 90,958,851 |

Remuneration of municipal manager

| | | |
|---------------------|-----------|-----------|
| Annual Remuneration | 1,269,793 | 1,053,006 |
| Car Allowance | - | 110,000 |
| Other | - | 140,493 |
| 1,269,793 | | |

The Municipal Manager position has been vacant since May 2014.

Mrs B Mohlala was the Acting Municipal Manager from 1 July 2014 until 25 October 2014.

Mr BSS Riba was the Acting Municipal Manager from 1 December 2014 until 31 May 2015.

Mr F Mashele has been the Acting Municipal Manager since 1 June 2015.

Remuneration of chief finance officer

| | | |
|---------------------|---------|---------|
| Annual Remuneration | 947,892 | 513,333 |
| Car Allowance | 120,000 | 70,000 |
| 1,067,892 | | |

Mr C Barnard is the Chief Financial Officer.

Director Corporate Services

| | | |
|---------------------|---------|---------|
| Annual Remuneration | 438,357 | 815,495 |
| Car Allowance | 29,500 | 150,000 |
| Acting allowance | 314,129 | 46,597 |
| 781,986 | | |

Mrs SG Ngobeni was the Director Corporate Services and resigned in July 2014.

Mr T Mashabela was appointed as the Director Corporate Services since 1 February 2015.

Director Community and Social Services

| | | |
|---------------------|---------|---------|
| Annual Remuneration | 887,052 | 821,495 |
| Car Allowance | 144,000 | 144,000 |
| Leave pay | 59,942 | - |
| | | |

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28. Employee related costs (continued)

1,090,994 965,495

Mrs B Mdluli is the Director Community and Social Services.

Director Technical Services

| | | |
|---------------------|------------------|------------------|
| Annual Remuneration | 815,052 | 749,494 |
| Car Allowance | 156,000 | 156,000 |
| Housing allowance | 60,000 | 60,000 |
| Acting allowance | 53,908 | 38,831 |
| | 1,084,960 | 1,004,325 |

Mr F Mashele is the Director of Technical Services and has been Acting Municipal Manager from time to time.

29. Remuneration of councillors

| | | |
|---------------------------|------------------|------------------|
| Executive Major | 742,962 | 705,118 |
| Council Whip | 563,340 | 534,956 |
| Mayoral Committee Members | 1,690,017 | 1,604,868 |
| Speaker | 599,235 | 568,765 |
| Councillors | 3,336,991 | 2,478,338 |
| | 6,932,545 | 5,892,045 |

Upper limits of councillors

The salaries, allowances and benefits of political office-bearers and councillors are within the upper limits of the framework as envisaged in section 219 of the Constitution.

30. Debt impairment

| | | |
|--|--------------------|--------------------|
| Debt impairment | 35,698,620 | 99,962,351 |
| Contributions to debt impairment provision | 67,394,137 | 19,935,366 |
| | 103,092,757 | 119,897,717 |

31. Investment revenue

| | | |
|------------------|---------|---------|
| Interest revenue | | |
| Bank | 812,300 | 771,921 |

32. Fair value adjustments

| | | |
|--|-------|--------|
| Other financial assets | | |
| • Other financial assets (SANLAM investment) | 9,272 | 31,815 |

33. Depreciation and amortisation

| | | |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 53,901,915 | 49,763,543 |
| Investment property | 2,588,312 | 2,588,312 |
| | 56,490,227 | 52,351,855 |

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34. Impairment of assets

Impairments

| | | |
|-------------------------------|---------------|------------------|
| Property, plant and equipment | - | 2,800 |
| Traffic Fines | 44,504 | 1,447,497 |
| | 44,504 | 1,450,297 |

35. Finance costs

| | | |
|--------------------|-----------|-----------|
| Current borrowings | 1,967,798 | 4,311,190 |
|--------------------|-----------|-----------|

36. Auditors' remuneration

| | | |
|------|-----------|-----------|
| Fees | 4,038,876 | 3,970,368 |
|------|-----------|-----------|

37. Contracted services

| | | |
|-------------------------------|------------------|-------------------|
| Performance Management System | - | 500,000 |
| Security Services | 4,004,957 | 5,597,059 |
| Insurance | 1,796,699 | 2,645,834 |
| Professional Services | 2,017,139 | 8,080,988 |
| Valuation Roll | 1,036,068 | 1,339,612 |
| | 8,854,863 | 18,163,493 |

38. Grants and subsidies paid

Other subsidies

| | | |
|--|------------------|-------------------|
| Pauper funerals | 13,023 | 26,300 |
| Indigent funerals | 10,550 | 6,186 |
| Property rates subsidy | - | 5,816,466 |
| Water subsidy - Indigents and 6kl free water | 4,130,770 | 4,952,248 |
| Communal taps | 86,556 | 53,606 |
| IEC Office | 67,309 | 23,233 |
| | 4,308,208 | 10,878,039 |

39. Bulk purchases

| | | |
|-------------|--------------------|-------------------|
| Electricity | 80,646,651 | 70,391,306 |
| Water | 32,174,899 | 21,589,765 |
| | 112,821,550 | 91,981,071 |

Victor Khanye Local Municipality

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39. Bulk purchases (continued)

Electricity - Distribution losses (units)

| | | |
|---|------------------|------------------|
| Purchased | 113,191,589 | 105,851,535 |
| Sold | (101,902,679) | (89,793,184) |
| Subtotal | 11,288,910 | 16,058,351 |
| Less: Units accounted for as free basic services (50 kWh per household per month) | (3,625,224) | (4,987,626) |
| Less: Departmental usage | (2,279,230) | (3,168,326) |
| | 5,384,456 | 7,902,399 |

Water - Distribution losses (units)

| | | |
|---|------------------|------------------|
| Purchased | 5,343,918 | 3,915,436 |
| Pumped - boreholes | 1,926,063 | 3,535,572 |
| Subtotal | 7,269,981 | 7,451,008 |
| Less: Water sold | (4,484,976) | (4,268,455) |
| Less: Free basic 6kl per indigent household per month | (484,575) | (473,900) |
| Less: Departmental usage | (31,706) | (72,550) |
| | 2,268,724 | 2,636,103 |

Electricity distribution losses amounted to R 4 318 782 (4.76%) (2014: R 5 865 687 (7.47%)) and water distribution losses to R 13 510 710 (31.21%) (2014: R 14 522 226 (35.38%))

40. Cash generated from operations

| | | |
|--|--------------------|--------------------|
| Deficit | (44,953,740) | (24,912,171) |
| Adjustments for: | | |
| Depreciation and amortisation | 56,490,227 | 52,351,855 |
| Impairment loss | 44,504 | 1,450,297 |
| Human Settlement Transfer | (18,349,440) | (86,059,720) |
| Loss on disposal of property, plant and equipment | 176,615 | - |
| Donation Received | (2,027,570) | - |
| Fair value adjustments | (9,272) | (31,815) |
| Interest income | (24,980,673) | (22,297,968) |
| Finance costs | 1,967,798 | 4,311,190 |
| Debt impairment | 103,092,757 | 119,897,717 |
| Movements in retirement benefit assets and liabilities | 6,802,384 | (6,498,987) |
| Movements in provisions | 1,384,892 | (579,124) |
| Movements in Long-service award | (577,432) | (511,925) |
| Donation Paid | - | 16,121,000 |
| Changes in working capital: | | |
| Inventories | 55,156 | (91,498) |
| Receivables from exchange transactions | - | (2,076,694) |
| Consumer debtors | 36,749,808 | 82,507,500 |
| Receivables from non-exchange | (467,040) | (183,485) |
| Payables from exchange transactions | 10,490,552 | 8,871,959 |
| VAT | (6,536,738) | (36,660,058) |
| Unspent conditional grants and receipts | 1,689,888 | 194,440 |
| Consumer deposits | 13,390 | (45,371) |
| | 121,056,066 | 105,757,142 |

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41. Commitments

Authorised expenditure

Operational Expenditure

| | | |
|------------------------------|------------------|------------------|
| • Insurance | - | 1,349,296 |
| • Fleet management services | 3,346,599 | 4,763,953 |
| • Sureveying fees | - | 429,688 |
| • Telephone costs | - | 664,285 |
| • Training | 94,500 | 94,500 |
| • ICT Support | 4,519,680 | - |
| • Document management system | 99,029 | - |
| • Security | 1,400,000 | - |
| | 9,459,808 | 7,301,722 |

Capital Expenditure

| | | |
|---------------------------------|-----------|-----------|
| • Property, plant and equipment | 5,228,803 | 3,142,430 |
|---------------------------------|-----------|-----------|

Total capital commitments

| | | |
|--|-------------------|-------------------|
| Operational commitments contracted for | 9,459,808 | 7,301,722 |
| Capital commitments contracted for | 5,228,803 | 3,142,430 |
| | 14,688,611 | 10,444,152 |

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|-------------------------------------|------------------|------------------|
| - within one year | 1,850,307 | 1,916,755 |
| - in second to fifth year inclusive | 1,496,292 | 4,163,436 |
| | 3,346,599 | 6,080,191 |

Operating lease payments represent rentals payable by the municipality for its fleet of vehicles. The lease are for a period of 36 months upon which the fleet will be returned to the service provider. Machinery and equipment that is reflected under general expenditure as operating lease payments is for the renting of machinery and equipment which expired and is currently on a month to month basis.

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42. Contingencies

Contingent liabilities:

The following civil cases are currently in the process of being finalised:

L Pretorius vs VKLM:

The case relates to a typhoid outbreak and the matter is pending according to the advice received from Councils attorneys.

Telkom vs VKLM:

The case relates to cables that were damaged. Only a summons has been issued against the Municipality and the matter is still pending.

Strydom Venter, Strydom Eiendoms CC vs VKLM:

Strydom Venter applied to court to evict 80 unlawful families and requested the municipality to provide alternative land for the unlawful occupants. Judgement to be delivered by the court. The possible liability is estimated at R41 280.

Dwarsfontein Beleggings CC vs VKLM:

The Dwarsfontein Beleggings CC have applied to the high court to evict 81 families from the land and requested the Municipality to avail land to accommodate the unlawful occupants. Advocate has been briefed to prepare for the trial, currently the heads of the argument are being drafted in order to secure a trial date in the South Gauteng High Court. The possible liability is estimated at R300 000.

Mpenduko Eric Zikhali vs VKLM:

Mr Penduko Eic Zikhali applied to court to evict the unlawful occupants and requested the Municipality to avail the land. A report has been compiled which was filed at the court. The estimated cost is R45 000.

Mrs Tobie Swanepoel vs VKLM:

Mrs Tobie Swanepoel has instituted action against the Municipality in order to repair a motor vehicle Ford Ranger 3.0 TDCi that was involved in an accident on 20 January 2011. Rescission of application for judgement was lodged and the matter is still pending. The estimated cost is R136 000.

African Oxygen Limited t/a AFROX vs VKLM:

African Oxygen Limited sued the Municipality for monies of the services rendered and a warrant was issued against the municipality, we applied for rescission of judgment and AFROX attorneys undertook not to execute the warrant. The matter is deemed to be finalised.

Sofiline (Pty) Ltd vs VKLM:

Sofiline (Pty) Ltd have lodged an objection against the selling of land to a Chinese Company. No action was taken against the Municipality. The possible liability can't be estimated at this point in time.

Ms PA Gafane vs MM Kganyano and VKLM:

Filed a notice to appeal against judgment in terms of Rule 51. The possible liability can't be estimated at this point in time.

Society for the protection of our constitution vs VKLM:

The society applied at the South Gauteng High Court to compel the Municipality to fix the potholes on the stretch of 10km at R55. The Department of Public Works has since repaired the potholes and the matter was finalised during the financial year. There is no liability for Council.

Theresa M Wepener vs Nthabiseng Mogape and VKLM:

Ms Theresa Wepener sued the Municipality for unlawful detention. Filed a notice to appeal against judgment and await the transcript to finalise the matter. The estimated liability is R60 000. The matter have been settled and an amount have been paid out to the plaintiff

Kadi M.T vs J.B Oliver and VKLM:

Mr Kadi sued JB Oliver to repair his vehicle that was involved in an accident on 9 April 2010. The court already ruled that the Municipality is not liable to pay or repair the vehicle of Mr Kadi, however a civil case is proceeding against Mr Oliver. The estimated liability is R40 000.

VKLM vs Owner of plot 38, Rennie Avenue:

There is an order to demolish illegal structures that were erected. The matter is pending.

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42. Contingencies (continued)

VKLM vs Owner of plot 17, 2nd Street, Delmas:

There is an order to demolish illegal structures that were erected. The matter is pending.

VKLM vs illegal occupier of stand 5527, Extension 4, Bottleng:

There is an order for the eviction of an illegal occupier and the matter is pending.

VKLM vs Owner of stand 6082:

There is an order to demolish an encroachment into adjacent stand and the matter is still pending.

VKLM vs Shatadi Acutioneers:

Legal action taken to pay VKLM the proceeds of the auction that took place and the matter is still pending

Contingent Assets:

The Nkangala District Municipality is funding infrastructure projects that will be transferred to the Municipality once the projects are completed. The estimated value is R4 462 657.

The Department of Human Settlements is funding infrastructure projects that will be transferred to the Municipality once the projects are completed. The estimated value is R86 059 720.

43. Change in estimate

Impairment of consumer debtors

The basis for the estimation of the debt impairment for the current financial year and the methodology used changed from the prior year.

The impact on debt impairment is an increase in the provision of 20% compared to a increase of 43%.

44. Prior period errors

Property, Plant and Equipment, Heritage Assets, Investment Property and Intangible Assets were re-stated as a result of incorrect principles that were applied in the prior year.

Unspent conditional grants were re-stated as a result of a payment that were made after year end which were not taken into account in the prior year.

Income from traffic fines were re-stated as it was not accounted for in Accordance with iGRAP1 in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

| | | |
|--|---|--------------|
| Accumulated surplus | - | 97,894,285 |
| Property, Plant and Equipment | - | (38,651,120) |
| Investment Property | - | 7,254,436 |
| Receivables from non-exchange transactions | - | 183,485 |
| Payables from exchange transactions | - | (55,563) |
| Receivables from exchange transactions | - | (649,910) |
| Heritage assets | - | 107,522 |
| Unspent conditional grants | - | (476,520) |
| Intangible assets | - | (5,058,419) |
| VAT Payable | - | 82,171,278 |

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44. Prior period errors (continued)

Statement of Financial Performance

| | | |
|-----------------------------------|---|--------------|
| Depreciation expense | - | 296,689 |
| VAT - Grant sundry Income | - | 2,514,777 |
| Human Settlement Transfer | - | (86,059,720) |
| Impairment of traffic fines | - | 1,450,297 |
| Traffic fines | - | (1,630,982) |
| Lease rentals on operating leases | - | 788,536 |
| Debt impairment | - | (65,681,215) |
| General Expenses | - | (8,007,735) |
| Repair and maintenance | - | (2,511,124) |
| Donation Paid | - | 16,121,000 |

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instrument

| | | |
|---|--------------|--------------|
| Short - term investments (Other financial assets) | 134,007 | 124,735 |
| Receivables from exchange transactions | 2,675,034 | 2,675,034 |
| Consumer debtors | 69,238,744 | 105,988,552 |
| Cash and cash equivalents | 13,577,796 | 4,022,065 |
| Other financial liabilities | (19,810,178) | (23,436,100) |
| Payables from exchange transactions | (51,632,651) | (41,142,099) |

Market risk

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45. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

46. Events after the reporting date

There have been no events after the reporting date that requires an adjustment to the reporting period.

47. Unauthorised expenditure

| | | |
|-------------------------------|--------------------|--------------------|
| Opening balance | 231,486,351 | - |
| Employee cost | - | 11,091,800 |
| Remuneration of councillors | 25,227 | 538,293 |
| Debt impairment | 83,092,757 | 166,398,100 |
| Depreciation and amortisation | 50,306,732 | 46,075,747 |
| Finance charges | 66,021 | 2,527,239 |
| Materials and bulk purchases | 8,659,016 | - |
| Transfers and grants | 4,244,259 | 2,645,661 |
| Other expenditure | 2,215,413 | 2,209,511 |
| | 380,095,776 | 231,486,351 |

The major components of unauthorised expenditure was as a result of debt impairment and depreciation which are non-cash items. The remainder of unauthorised expenditure was as a result of additional expenditure that occurred during the year which was not foreseen during the budget process.

48. Fruitless and wasteful expenditure

| | | |
|----------------------------------|----------------|--------------|
| Opening balance | 1,388 | - |
| Nedbank loan | 7,994 | - |
| SARS - late payment of PAYE | 115,285 | - |
| Eskom small electricity accounts | - | 1,388 |
| | 124,667 | 1,388 |

An item will be sent to Council for investigation upon which the recoverability can then be determined.

The fruitless expenditure on the Nedbank loan was incurred as a result of a late payment.

The fruitless expenditure paid to SARS was as a result of an underpayment which SARS brought to our attention in the current financial year. The penalties and interest relates to the 2010 tax year.

49. Irregular expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 11,313,022 | 17,592,191 |
| Add: Irregular Expenditure - current year | 17,508,874 | 11,313,022 |
| Less: Amounts condoned | - | (17,592,191) |
| | 28,821,896 | 11,313,022 |

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49. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

| | | |
|--------------|-------------------|-------------------|
| Current year | 17,508,874 | 11,313,022 |
| Prior years | 11,313,022 | - |
| | 28,821,896 | 11,313,022 |

Details of irregular expenditure – current year

| | Disciplinary steps taken/criminal proceedings | |
|--|--|-------------------|
| 3 Quotations not obtained for accommodation | Matter to be verified in order to determine which steps will be taken. | 213,814 |
| Original tax clearance certificate not submitted | Matter to be verified in order to determine which steps will be taken. | 119,250 |
| Various municipalities in the province entered into service level agreement with the Department of Water and Sanitation as well as Mpumalanga Department of Cooperative Governance and Traditional Affairs (CoGTA), where Rand Water was appointed as implementing agent. As part of the service level agreement Rand Water was empowered to appoint contractors in executing their responsibilities. The public entity did not follow a procurement process that is fair, equitable, transparent, competitive and cost effective as competitive bidding process was not followed. | Matter to be discussed with CoGTA. | 17,175,810 |
| | | 17,508,874 |

The irregular expenditure to the amount of R 11 313 022 are currently following the process of being referred to Council.

The municipality will determine the extent of the non-compliance within the population.

Additional measures were put in place to prevent irregular expenditure.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-----------|
| Current year subscription / fee | 1,164,633 | 606,592 |
| Amount paid - current year | (1,164,633) | (606,592) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 4,038,876 | 3,970,368 |
| Amount paid - current year | (4,038,876) | (3,970,368) |
| | - | - |

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 14,524,578 | 11,270,479 |
| Amount paid - current year | (14,524,578) | (11,270,479) |
| | - | - |

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 15,718,509 | 14,215,433 |
| Amount paid - current year | (15,718,509) | (14,215,433) |
| | - | - |

VAT

| | | |
|-------------|-----------|-----------|
| VAT payable | 2,150,077 | 8,686,815 |
| | - | - |

VAT output payables and VAT input receivables are shown in note 20.

– All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

| 30 June 2015 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|----------------|--|--|------------|
| Cllr Shabalala | 89,414 | 95,840 | 185,254 |
| Cllr Nyathi | 35,549 | 34,892 | 70,441 |
| | 124,963 | 130,732 | 255,695 |

| 30 June 2014 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|----------------|--|--|------------|
| Cllr Shabalala | 2,867 | 63,581 | 66,448 |
| Cllr Nyathi | 338 | 48,760 | 49,098 |
| | 3,205 | 112,341 | 115,546 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2015 | Highest outstanding amount | Aging (in days) |
|----------------|----------------------------------|--------------------|
| Cllr Shabalala | 185,254 | 120 |
| Cllr Nyathi | 34,893 | 120 |
| | 220,147 | 240 |

| 30 June 2014 | Highest outstanding amount | Aging (in days) |
|----------------|----------------------------------|--------------------|
| Cllr Shabalala | 63,581 | 120 |
| Cllr Nyathi | 48,760 | 120 |
| | 112,341 | 240 |

51. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

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52. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

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53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Supply and installation of the new water filter for the telemetry system for Delmas WTW (Miri AD2006) was made to Vanguard Projects for an amount of R32 609.70 on 14 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the supply and installation of a new chloring system at the Delmas WTW was made to LED Engineering for an amount of R24 719.76 on 14 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the upgrading of the Ozone plant and maintenance at the Delmas WTP was made to Purion Networx (Pty) Ltd for an amount of R79 743.00 on 24 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the rental of a honey sucker truck for septic tank services was made to Sekuseduze Trading and Projects for an amount of R10 400.00 on 22 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a gear pump for the refuse truck BLY612MP was made to JD Hydraulics for an amount of R5 102.54 on 15 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of 4 post lifts at the mechanical workshop was made to Ace Hydraulic Services for an amount of R2 827.20 on 16 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of a Toyota Quantum DVN844MP was made to NTT Toyota Delmas for an amount of R7 281.85 on 16 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a 315kVA and 500kVA transformers was made to TSS Transformers for an amount of R89 639.34 on 21 July 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the Sundra electrical pump motor was made to ARMA Electrical for an amount of R6 366.73 on 26 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of three pumps at the Delmas WWTW was made to Ihlubi Trading Enterprise for an amount of R134 635.98 on 7 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the cherry picker truck was made to Smith Capital Equipment for an amount of R4 109.70 on 4 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a Nissan Vehicle FNF561MP was made to Delmas Nissan for an amount of R3 106.68 on 19 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a honey sucker truck as the municipal vehicle was sent for repairs was made to Sekuseduze Trading & Projects for an amount of R8 800.00 on 19 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

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53. Deviation from supply chain management regulations (continued)

Procurement of services for the service and repair of FBL329MP was made to Hoffeld Auto (Pty) Ltd for an amount of R22 881.16 on 19 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the service and repair of a municipal vehicle FTB384MP was made to NTT Toyota Delmas for an amount of R4 099.85 on 20 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of brakes of a municipal vehicle DJG652MP was made to Clutch and Brake Service for an amount of R24 643.60 on 29 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the cleaning of a diesel spillage on the R50 and R42 that caused a slippery surface was made to SA Zero Waste for an amount of R6 928.92 on 4 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of three transformers was made to TSS Transformers for an amount of R76 950.00 on 10 September 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the unblocking of a sewer line was made to Khuduyane Quigley for an amount of R18 547.80 on 9 September 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of an AG16 breaker was made to Medium Voltage Energy Exchange for an amount of R11 651.07 on 11 September 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the service and repair of a municipal vehicle DLX113MP was made to Delmas Nissan for an amount of R11 076.770 on 19 September 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair and servicing of a Toyota Quantum DVN844MP was made to NTT Toyota Delmas for an amount of R6 732.80 on 11 September 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of a municipal vehicle DSG831MP was made to Hino East Rand for an amount of R9 773.68 on 29 August 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a hidrostal pump C080M 380V at Delmas WWTW was made to Joe Mothupi's Trading Enterprise CC for an amount of R50 473.50 on 9 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of the cherry picker truck aerial platform DRN258MP was made to Smith Capital Equipment (Pty) Ltd for an amount of R11 480.94 on 2 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of a grader FDV712MP was made to Burgers Equipment for an amount of R19 017.00 on 2 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair and servicing of a LDV CFM339MP was made to Delmas Nissan for an amount of R2 440.25 on 3 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair and servicing of a LDV DLX113MP was made to Delmas Nissan for an amount of R6 874.74 on 3 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

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53. Deviation from supply chain management regulations (continued)

Procurement of goods and services for the servicing and repair of a refuse truck FHF746MP for an amount of R7 330.28 on 16 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of a tipper truck FVK207MP was made to Republic Bus & Truck CC (Tata) for an amount of R5 044.00 on 22 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a water pump at Modder Bee and the repair of vales at the Sundra reservoir was made to Flow Well Pumps for an amount of R9 519.00 on 1 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a pump at Sundra and the repair of the sludge return pump at Delmas WTP was made to Neuron Consulting for an amount of R63 338.40 on 1 October 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the refuse truck's spring BLY612MP was made to Conron Spring and Engineering for an amount of R8 778.00 on 5 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the servicing of a vacuum tanker truck (40 000km service) HBH002MP was made to McCarthy Commercial Vehicles (Dealer agent) for an amount of R8 808.26 on 7 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the replacement of a windscreen of a tractor CSL634MP was made to AFGRI Equipment (Pty) Ltd (John Deere Tractors Dealer) for an amount of R9 113.13 on 12 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a honey sucker as the municipal vehicle was in for a service was made to Sekuseduze Trading and Projects for an amount of R16 800.00 on 12 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement for the services for the cleaning of the fuel filter system of a LDV HHN574MP was made to NTT Toyota Delmas (Dealer agent) for an amount of R3 483.30 on 13 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing of the water tanker truck (120 000km service) HBH002MP was made to Le Roux Motors (Dealer agent) for an amount of R6 855.82 on 20 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of the Dryden borehole was made to HT Pump and Plant for an amount of R5 700.00 on 7 November 2014.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of the Toyota Corolla DCT484MP was made to NTT Toyota Delmas for an amount of R7 147.70 on 8 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the municipal grader BXD387MP was made to JD Hydraulics for an amount of R5 658.08 on 8 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of the MAN water tanker DJY210MP was made to Middelburg MAN dealership CC for an amount of R12 848.67 on 13 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of an alternator for a Johan Deere Tractor CSL634MP was made to AFGRI Equipment for an amount of R12 086.76 on 21 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

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53. Deviation from supply chain management regulations (continued)

Procurement of goods and services for the servicing and repair of a LDV FNF578MP was made to Delmas Nissan for an amount of R3 888.60 on 21 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of a new KSB pump and repair of a faulty pump was made to Flow Well pumps for an amount of R57 342.00 on 21 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the traffic signal at Van der Walt Street was made to Automotor for an amount of R48 235.90 on 6 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of a grader FDV712MP was made to Rondebult Colliery (Pty) Ltd for an amount of R26 268.990 on 20 February 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the diagnostics and re-setting of a computer box for a refuse removal truck FPN107MP was made to Mowhos Engine & Transmissions for an amount of R9 370.80 on 20 February 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of a throttle switch cable DSG831MP was made to Mowhos Engine & Transmissions for an amount of R7 831.80 on 20 February 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of the telemetry system at the Delmas WTP was made to Vanguard Projects for an amount of R46 825.50 on 2 February 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the supply of an electric motor for the Dryden borehole was made to LED Engineering for an amount of R5 118.20 on 2 February 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a high pressure seal kit for the water pump of FRZ463MP emergency vehicle was made to Fire Raiders for an amount of R13 981.76 on 6 January 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the clearing and cleaning of the main sewer line at Delmas SAPS and Golf course pump station was made to Khuduyane Quigley for an amount of R17 020.00 on 25 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and quote for the repair of a gearbox FTB379MP was made to Marce Fire Fighting for an amount of R8 908.69 on 6 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of a tractor M/F299 DGC954MP was made to AIM Group (Pty) Ltd for an amount of R2 952.93 on 6 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a Stihl brushcutter was made to GG Maintenance and Service (Pty) Ltd for an amount of R3 420.00 on 6 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of the refuse removal truck FPN107MP was made to Le Roux Motors for an amount R18 999.27 on 6 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of the water tanker DJY210MP was made to Middel Man Dealership CC for an amount of R6 948.32 on 6 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Victor Khanye Local Municipality

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53. Deviation from supply chain management regulations (continued)

Procurement of services for the diagnostics of a refuse truck BLY612MP was made to Mowhos Engine and Transmissions for an amount of R8 595.60 on 13 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of two Kudu lawnmowers was made to Rono Services CC for an amount of R6 400.00 on 13 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of a municipal sewer trailer was made to Cathrine Gama for an amount of R13 615.00 on 23 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of two municipal vehicles DLY837MP and DLY839MP was made to Benoni Citi VW for an amount of R9 201.95 on 23 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of a Bermad valve at Eloff water tower was made to Flow Well Pumps for an amount of R20 025.81 on 5 March 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the cleaning of toilets at Brakfonteing was made to PICABiz 354 Trading Enterprise for an amount of R26 250.00 on 29 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the cleaning of a sewer overflow at the main hole was made to Sekuseduze Trading & Projects for an amount of R6 400.00 on 21 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of a municipal tipper truck FVK207MP was made to Republic Bus & Truck CC (Tata Brakpan) for an amount of R2 546.40 on 22 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of body dents, spraying and replacement of parts for a LDV was made to SE Nkabinde Spray & Body Works for an amount of R22 800.00 on 22 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of the Toyota Corolla was made to NTT Toyota Delmas for an amount of R8 383.70 on 22 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of boosters pumps and valves at Delmas booster pump station was made to Neuron Consulting for an amount of R66 997.80 on 29 April 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a V6 Gorman Rubb rotating assembly was made to Flow Well Pumps for an amount of R67 215.08 on 5 May 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a water tanker rear brakes FGL855MP was made to Clutch and Brake for an amount of R26 174.40 on 20 May 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of a clutch kit for a water tanker FTG387MP was made to Clutch and Brake for an amount of R7 923.00 on 20 May 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of the Bomag Roller BRS199MP was made to Delmas Trekker Onderdele for an amount of R29 927.28 on 20 May 2015.

Reason: In terms of Supply Chain Management Regulations Section 36.

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53. Deviation from supply chain management regulations (continued)

Procurement of goods in the form of hot asphalt was made to Much Asphalt for an amount of R145 692.00 on 18 May 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repair of damaged 11kV cable between C24 and C24a was made to Masinga Electrical for an amount of R27 200.40 on 3 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the repairs of damage at the McCain substation B1 and D1 was made to Masinga Electrical for an amount of R28 827.18 on 4 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the supply of material for the repair of electrical panels at C1 substation was made to Medium Voltage Energy Exchange for an amount of R12 484.80 on 4 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of damaged 11kV cable from substation C24 to Leeupoort overhead lines was made to Masinga Electrical for an amount of R24 812.10 on 4 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of S8 rotating assembly (Brubin Pump) at the Delmas WWTW extension 14 pump station was made to Flow Well Pump for an amount of R70 110.00 on 3 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of a 9kW, 380V ABS sludge return pump at the Botleng WWTW was made to Flow Well Pump for an amount R67 215.08 on 3 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of Pratisoli EKL32 pump which is used for the unblocking of sewer drains was made to Ian Dickie & Company (Pty) Ltd for an amount R9 698.65 on 3 June 2015.
Reason: In terms of Supply Chain Management Regulations Section 36.

54. Budget differences on the Appropriation Statement

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% is explained in the table below. There were no other material differences between the final budget and the actual amounts. Refer to the Appropriation Statement for detail.

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54. Budget differences on the Appropriation Statement (continued)

| Material variances | Material variance | Material variance % | Explanations for variances |
|------------------------------------|----------------------|---------------------|--|
| Property Rates | (13,142,443) | (29)% | A new valuation roll was implemented from 1 July 2014 which resulted in an increase in revenue. |
| Service charges | (16,275,773) | (10)% | The increase in service charges is mainly due to the increase in the electricity tariffs. |
| Investment revenue | 24,058 | 72 % | The performance of the investment on the market was lower than anticipated. |
| Transfers recognised - operational | (30,316,077) | (49)% | Additional operational donations / grants were received. |
| Other - own revenue | (25,375,316) | (57)% | The increase is mainly due to interest received on debtors accounts. |
| Debt impairment | (83,092,757) | (415)% | The basis for the calculation of debt impairment has been changed and resulted in a more accurate amount. |
| Depreciation and asset impairment | (50,306,732) | (808)% | Depreciation is budgeted for in a phased in approach as the once off budgeting for the full amount will have a devastating effect on the increases in tariffs. |
| Transfers and grants | (4,244,259) | (8,334)% | Additional subsidies to indigents were provided and as a result of the increase in indigents during the year. |
| Other expenditure | 13,928,832 | 18 % | As a result of the implementation of cost containment measures the council managed to incur less expenditure. |
| | (208,800,467) | (9,612)% | |

Appendix A
June 2015

Schedule of external loans as at 30 June 2015

| | Loan Number | Redeemable | Balance at 30 June 2014 | Received during the period | Redeemed written off during the period | Balance at 30 June 2015 |
|-------------------------------------|--------------------|-------------------|--|---|---|--|
| | | | Rand | Rand | Rand | Rand |
| Long-term loans | | | | | | |
| Development Bank of Southern Africa | 61001052 | 2015/12/31 | 19,291 | - | 12,850 | 6,441 |
| Development Bank of Southern Africa | 61001053 | 2020/12/31 | 6,259,882 | - | 796,415 | 5,463,467 |
| ABSA | 30-2482-8114 | 2016/02/01 | 1,510,390 | - | 990,089 | 520,301 |
| ABSA | 30-2417-5133 | 2015/01/31 | 345,258 | - | 345,258 | - |
| Nedbank | | 2015/01/31 | 15,301,281 | - | 1,481,313 | 13,819,968 |
| | | | 23,436,102 | - | 3,625,925 | 19,810,177 |
| Total external loans | | | | | | |
| Long-term loans | | | 23,436,102 | - | 3,625,925 | 19,810,177 |
| | | | 23,436,102 | - | 3,625,925 | 19,810,177 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|----------------------|-------------------|--------------------|----------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------------|----------------------|----------------------|---------------------|
| 406,072,355 | | | | | | 403,630,258 | | | | | | | 403,630,258 |
| 154,525,606 | 194,594 | (2,442,097) | - | - | 107,197 | 154,827,397 | 55,798,884 | - | - | (8,018,558) | - | 47,780,326 | 91,009,955 |
| 560,597,961 | 194,594 | (2,442,097) | - | - | 107,197 | 558,457,655 | 55,798,884 | - | - | (8,018,558) | - | 47,780,326 | 494,640,213 |
| 441,935,749 | 6,646,909 | - | 8,814,807 | - | 427,574 | 457,825,039 | (207,884,159) | - | - | (17,054,411) | - | (224,938,570) | 232,886,468 |
| 144,485,823 | 3,595,333 | - | 37,763,593 | - | 92,091 | 185,936,840 | (81,502,364) | - | - | (6,047,200) | - | (87,549,564) | 98,387,277 |
| 505,861,432 | 25,468,892 | - | (61,080,302) | - | - | 470,250,022 | (193,917,387) | - | - | (11,962,523) | - | (205,879,910) | 264,370,112 |
| 316,424,883 | 12,800,392 | - | 14,501,902 | - | - | 343,727,177 | (149,022,166) | - | - | (8,563,732) | - | (157,585,898) | 186,141,279 |
| 1,408,707,887 | 48,511,526 | - | - | - | 519,665 | 1,457,739,078 | (632,326,076) | - | - | (43,627,866) | - | (675,953,942) | 781,785,136 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|----------------------|----------------------|------------------|----------------|----------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|--------------------|----------------------|----------------------|---------------------|
| Heritage | | | | | | | | | | | | | | |
| Heritage assets | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | | | | | | | | | | | | | | |
| Emergency Equipment | 1,699,626 | 1,280 | - | - | - | - | 1,700,906 | (489,520) | - | - | (81,696) | - | (571,216) | 1,129,690 |
| Plant & equipment | 1,587,910 | 112,900 | - | - | - | - | 1,700,810 | (432,264) | - | - | (265,448) | - | (697,712) | 1,003,098 |
| Motor Vehicles | 12,789,839 | 1,805,427 | - | - | - | - | 14,595,266 | (2,478,572) | - | - | (642,483) | - | (3,121,055) | 11,472,651 |
| Furniture & Fittings | 3,557,052 | 240,332 | - | - | - | - | 3,797,384 | (1,067,682) | - | - | (489,213) | (1,220) | (1,558,115) | 2,239,269 |
| Office Equipment | 3,005,468 | 536,772 | - | - | - | - | 3,542,240 | (840,826) | - | - | (759,684) | - | (1,600,510) | 1,941,730 |
| | 22,639,895 | 2,696,711 | - | - | - | - | 25,336,606 | (5,308,864) | - | - | (2,238,524) | (1,220) | (7,548,608) | 17,786,438 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------|-------------------|--------------------|----------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------------|----------------------|----------------------|----------------------|
| Total property plant and equipment | | | | | | | | | | | | | | |
| Land and buildings | 560,597,961 | 194,594 | (2,442,097) | - | - | 107,197 | 558,457,655 | 55,798,884 | - | - | (8,018,558) | - | 47,780,326 | 494,640,213 |
| Infrastructure | 1,408,707,887 | 48,511,526 | - | - | - | 519,665 | 1,457,739,078 | (632,326,076) | - | - | (43,627,866) | - | (675,953,942) | 781,785,136 |
| Heritage | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | 22,639,895 | 2,696,711 | - | - | - | - | 25,336,606 | (5,308,864) | - | - | (2,238,524) | (1,220) | (7,548,608) | 17,786,438 |
| | 1,993,047,855 | 51,402,831 | (2,442,097) | - | - | 626,862 | 2,042,635,451 | (581,836,056) | - | - | (53,884,948) | (1,220) | (635,722,224) | 1,295,313,899 |
| Intangible assets | | | | | | | | | | | | | | |
| Computer software | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| Investment properties | | | | | | | | | | | | | | |
| Investment property | 72,890,015 | - | - | - | - | - | 72,890,015 | (14,658,100) | - | - | (2,588,312) | - | (17,246,412) | 29,232,161 |
| | 72,890,015 | - | - | - | - | - | 72,890,015 | (14,658,100) | - | - | (2,588,312) | - | (17,246,412) | 29,232,161 |
| Total | | | | | | | | | | | | | | |
| Land and buildings | 560,597,961 | 194,594 | (2,442,097) | - | - | 107,197 | 558,457,655 | 55,798,884 | - | - | (8,018,558) | - | 47,780,326 | 494,640,213 |
| Infrastructure | 1,408,707,887 | 48,511,526 | - | - | - | 519,665 | 1,457,739,078 | (632,326,076) | - | - | (43,627,866) | - | (675,953,942) | 781,785,136 |
| Heritage | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | 22,639,895 | 2,696,711 | - | - | - | - | 25,336,606 | (5,308,864) | - | - | (2,238,524) | (1,220) | (7,548,608) | 17,786,438 |
| Intangible assets | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| Investment properties | 72,890,015 | - | - | - | - | - | 72,890,015 | (14,658,100) | - | - | (2,588,312) | - | (17,246,412) | 29,232,161 |
| | 2,066,482,801 | 51,402,831 | (2,442,097) | - | - | 626,862 | 2,116,070,397 | (596,494,156) | - | - | (56,473,260) | (1,220) | (652,968,636) | 1,325,090,991 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|---------------------------|----------------------|-------------------|----------------|---------------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------------|----------------------|----------------------|---------------------|
| <hr/> | | | | | | | | | | | | | | |
| Land and buildings | | | | | | | | | | | | | | |
| Land | 406,072,355 | - | - | - | - | - | 406,072,355 | - | - | - | - | - | - | 406,072,355 |
| Buildings | 148,178,531 | 6,347,075 | - | - | - | - | 154,525,606 | (48,694,766) | - | - | (7,104,118) | - | (55,798,884) | 98,726,722 |
| | 554,250,886 | 6,347,075 | - | - | - | - | 560,597,961 | (48,694,766) | - | - | (7,104,118) | - | (55,798,884) | 504,799,077 |
| Infrastructure | | | | | | | | | | | | | | |
| Roads | 432,195,407 | 9,740,342 | - | - | - | - | 441,935,749 | (191,711,522) | - | - | (16,172,638) | - | (207,884,160) | 234,051,589 |
| Electricity | 138,224,344 | 6,261,479 | - | - | - | - | 144,485,823 | (76,230,785) | - | - | (5,271,578) | - | (81,502,363) | 62,983,460 |
| Water | 394,736,724 | 5,643,000 | - | (16,121,000) | - | 105,481,709 | 489,740,433 | (183,014,470) | - | - | (10,902,918) | - | (193,917,388) | 295,823,045 |
| Sanitation | 310,014,006 | 179,975 | - | - | - | 6,230,903 | 316,424,884 | (140,951,610) | - | - | (8,070,556) | - | (149,022,166) | 167,402,718 |
| | 1,275,170,481 | 21,824,796 | - | (16,121,000) | - | 111,712,612 | 1,392,586,889 | (591,908,387) | - | - | (40,417,690) | - | (632,326,077) | 760,260,812 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|------------------------|----------------------|------------------|----------------|----------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|--------------------|----------------------|----------------------|---------------------|
| Heritage assets | | | | | | | | | | | | | | |
| Other | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | | | | | | | | | | | | | | |
| Emergency Equipment | 1,672,626 | 27,000 | - | - | - | - | 1,699,626 | (408,177) | - | - | (81,343) | - | (489,520) | 1,210,106 |
| Plant & equipment | 1,524,531 | 63,379 | - | - | - | - | 1,587,910 | (177,914) | - | - | (254,349) | - | (432,263) | 1,155,647 |
| Motor Vehicles | 12,159,269 | 630,570 | - | - | - | - | 12,789,839 | (1,846,971) | - | - | (632,361) | (780) | (2,480,132) | 10,309,707 |
| Furniture & Fittings | 3,367,085 | 189,967 | - | - | - | - | 3,557,052 | (612,104) | - | - | (455,578) | (1,220) | (1,068,902) | 2,488,150 |
| Office Equipment | 2,437,997 | 567,472 | - | - | - | - | 3,005,469 | (246,237) | - | - | (594,589) | - | (840,826) | 2,164,643 |
| | 21,161,508 | 1,478,388 | - | - | - | - | 22,639,896 | (3,291,403) | - | - | (2,018,240) | (2,000) | (5,311,643) | 17,328,253 |

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|---|----------------------|-------------------|----------------|---------------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------------|----------------------|----------------------|----------------------|
| Total property plant and equipment | | | | | | | | | | | | | | |
| Land and buildings | 554,250,886 | 6,347,075 | - | - | - | - | 560,597,961 | (48,694,766) | - | - | (7,104,118) | - | (55,798,884) | 504,799,077 |
| Infrastructure | 1,275,170,481 | 21,824,796 | - | (16,121,000) | - | 111,712,612 | 1,392,586,889 | (591,908,387) | - | - | (40,417,690) | - | (632,326,077) | 760,260,812 |
| Heritage assets | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | 21,161,508 | 1,478,388 | - | - | - | - | 22,639,896 | (3,291,403) | - | - | (2,018,240) | (2,000) | (5,311,643) | 17,328,253 |
| | 1,851,684,987 | 29,650,259 | - | (16,121,000) | - | 111,712,612 | 1,976,926,858 | (643,894,556) | - | - | (49,540,048) | (2,000) | (693,436,604) | 1,283,490,254 |
| Intangible assets | | | | | | | | | | | | | | |
| Computer software | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| Investment properties | | | | | | | | | | | | | | |
| Investment property | 72,890,015 | - | - | - | - | - | 72,890,015 | (12,069,788) | - | - | (2,588,312) | - | (14,658,100) | 58,231,915 |
| | 72,890,015 | - | - | - | - | - | 72,890,015 | (12,069,788) | - | - | (2,588,312) | - | (14,658,100) | 58,231,915 |
| Total | | | | | | | | | | | | | | |
| Land and buildings | 554,250,886 | 6,347,075 | - | - | - | - | 560,597,961 | (48,694,766) | - | - | (7,104,118) | - | (55,798,884) | 504,799,077 |
| Infrastructure | 1,275,170,481 | 21,824,796 | - | (16,121,000) | - | 111,712,612 | 1,392,586,889 | (591,908,387) | - | - | (40,417,690) | - | (632,326,077) | 760,260,812 |
| Heritage assets | 1,102,112 | - | - | - | - | - | 1,102,112 | - | - | - | - | - | - | 1,102,112 |
| Other assets | 21,161,508 | 1,478,388 | - | - | - | - | 22,639,896 | (3,291,403) | - | - | (2,018,240) | (2,000) | (5,311,643) | 17,328,253 |
| Intangible assets | 544,931 | - | - | - | - | - | 544,931 | - | - | - | - | - | - | 544,931 |
| Investment properties | 72,890,015 | - | - | - | - | - | 72,890,015 | (12,069,788) | - | - | (2,588,312) | - | (14,658,100) | 58,231,915 |
| | 1,925,119,933 | 29,650,259 | - | (16,121,000) | - | 111,712,612 | 2,050,361,804 | (655,964,344) | - | - | (52,128,360) | (2,000) | (708,094,704) | 1,342,267,100 |

Appendix C

June 2015

Segmental analysis of property, plant and equipment as at 30 June 2015

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
|----------------------|-------------------|--------------------|----------------|-------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------------|-------------------------|----------------------|----------------------|
| | | | | | | | | | | | | | |
| 1,465,401 | 36,451 | (1,732) | - | - | - | 1,500,120 | (422,991) | - | - | (40,750) | - | (463,741) | 930,138 |
| 1,890,090 | 47,015 | (2,234) | - | - | - | 1,934,871 | (545,578) | - | - | (52,559) | - | (598,137) | 1,199,701 |
| 163,195 | 4,059 | (193) | - | - | - | 167,061 | (47,106) | - | - | (4,538) | - | (51,644) | 103,585 |
| 10,115,416 | 251,616 | (11,954) | - | - | - | 10,355,078 | (2,919,834) | - | - | (281,288) | - | (3,201,122) | 7,153,956 |
| 5,369,538 | 133,565 | (6,346) | - | - | - | 5,496,757 | (1,549,927) | - | - | (149,315) | - | (1,699,242) | 3,797,515 |
| 9,191 | 229 | (11) | - | - | - | 9,409 | (2,653) | - | - | (256) | - | (2,909) | 5,834 |
| 11,107,276 | 276,289 | (13,126) | - | - | - | 11,370,439 | (3,206,136) | - | - | (308,870) | - | (3,515,006) | 7,855,433 |
| 186,636,607 | 4,642,502 | (220,561) | - | - | - | 191,058,548 | (53,873,009) | - | - | (5,189,967) | - | (59,062,976) | 118,464,295 |
| 1,335,166,281 | 33,211,662 | (1,577,853) | - | - | - | 1,366,800,090 | (385,398,264) | - | - | (37,128,134) | - | (422,526,398) | 944,273,692 |
| 428,952,377 | 10,669,998 | (506,921) | - | - | 626,862 | 439,742,316 | (123,817,912) | - | - | (11,928,253) | - | (135,746,165) | 303,996,151 |
| 85,607,428 | 2,129,446 | (101,168) | - | - | - | 87,635,706 | (24,710,746) | - | - | (2,380,560) | - | (27,091,306) | 60,544,400 |
| 2,066,482,800 | 51,402,832 | (2,442,099) | - | - | 626,862 | 2,116,070,395 | (596,494,156) | - | - | (57,464,490) | - | (653,958,646) | 1,448,324,700 |
| 2,066,482,800 | 51,402,832 | (2,442,099) | - | - | 626,862 | 2,116,070,395 | (596,494,156) | - | - | (57,464,490) | - | (653,958,646) | 1,448,324,700 |

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|---------------------------------|-------------------------|--|--------------------|-------------------------|-------------------------|
| Municipality | | | | | |
| 12,902,709 | 26,158,673 | (13,255,964) Executive & Council/Mayor and Council | 8,646,931 | 26,772,091 | (18,125,160) |
| 86,621,133 | 24,939,052 | 62,110,297 Finance & Admin/Finance | 117,217,379 | 70,617,608 | 46,599,771 |
| - | 909,526 | (909,526) Planning and Development/Economic Development/Plan | 564,120 | 51,773,418 | (51,209,298) |
| - | 747,511 | (747,511) Health/Clinics | - | 196,539 | (196,539) |
| 6,115,471 | 9,851,924 | (3,736,453) Comm. & Social/Libraries and archives | 4,086,248 | 7,986,600 | (3,900,352) |
| 389,866 | 1,453,955 | (1,064,089) Housing | 384,355 | 216,952 | 167,403 |
| 4,169,463 | 12,746,313 | (8,576,850) Public Safety/Police | 4,664,368 | 15,417,640 | (10,753,272) |
| 3,600 | 5,547,501 | (5,543,901) Sport and Recreation | 19,775 | 3,200,795 | (3,181,020) |
| 11,382,120 | 26,680,341 | (15,298,221) Environmental Protection/Pollution Control | 11,730,933 | 18,809,514 | (7,078,581) |
| 13,858,373 | 19,593,060 | (5,734,687) Waste Water Management/Sewerage | 13,305,663 | (6,700,629) | 20,006,292 |
| 40,369,046 | 38,769,521 | 1,599,525 Road Transport/Roads | 32,531,429 | 23,864,886 | 8,666,543 |
| 73,088,327 | 73,554,339 | (466,012) Water/Water Distribution | 73,884,998 | 65,703,364 | 8,181,634 |
| 188,724,884 | 194,574,377 | (5,849,493) Electricity /Electricity Distribution | 145,713,921 | 149,686,599 | (3,972,678) |
| 65,593 | 27,075,442 | (27,009,849) Other/Air Transport | 18,462 | 30,176,949 | (30,158,487) |
| 437,690,585 | 462,601,535 | (24,482,734) | 412,768,582 | 457,722,326 | (44,953,744) |
| Municipal Owned Entities | | | | | |
| Other charges | | | | | |
| 437,690,585 | 462,601,535 | (24,482,734) Municipality | 412,768,582 | 457,722,326 | (44,953,744) |
| 437,690,585 | 462,601,535 | (24,482,734) Total | 412,768,582 | 457,722,326 | (44,953,744) |

Appendix E(1)
June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

| | Current year 2014 Act. Bal. | Current year 2014 Adjusted budget | Variance | Explanation of Significant Variances greater than 10% versus Budget | |
|---|-----------------------------------|--|--------------|--|--|
| | Rand | Rand | Rand | Var | |
| Revenue | | | | | |
| Property rates | 57,723,904 | 44,606,759 | 13,117,145 | 29.4 | New valuation roll implemented and the number of property owners increased resulting in the increase in revenue. |
| Service charges | 186,223,265 | 169,947,492 | 16,275,773 | 9.6 | |
| Rental of facilities and equipment | 2,230,967 | 2,319,907 | (88,940) | (3.8) | |
| Interest received (Consumer Debtors) | 24,168,373 | 21,098,865 | 3,069,508 | 14.5 | Outstanding debtors book increased and the interest thereon also increased. |
| Agency services | 12,281,685 | 13,377,532 | (1,095,847) | (8.2) | |
| Licences and permits | 2,449,935 | 2,700,597 | (250,662) | (9.3) | |
| Grant and subsidies | 108,232,219 | 61,676,000 | 46,556,219 | 75.5 | Received donations from the District Municipality. |
| Fines | 717,046 | 280,434 | 436,612 | 155.7 | Accounting for traffic fines in terms of iGRAP1 lead to the increase where it was previously based on cash received only. |
| Sundry income | 17,919,616 | 4,012,398 | 13,907,218 | 346.6 | |
| Interest received - investment | 812,300 | 533,765 | 278,535 | 52.2 | |
| Fair value adjustment | 9,271 | 33,300 | (24,029) | (72.2) | There was a significant drop in the share price. |
| | 412,768,581 | 320,587,049 | 92,181,532 | 28.8 | |
| Expenses | | | | | |
| Personnel | (115,951,533) | (105,193,571) | (10,757,962) | 10.2 | |
| Remuneration of councillors | 740,428 | (6,907,318) | 7,647,746 | (110.7) | |
| Depreciation | (56,490,227) | (6,228,000) | (50,262,227) | 807.0 | Depreciation not fully budgeted for as the impact of the full amount on tariff increases must be considered when the budget is done. |
| Impairments | 221,189 | - | 221,189 | - | |
| Finance costs | (1,967,798) | (1,901,777) | (66,021) | 3.5 | A new loan was entered into after the approval of the budget for the 2013/2014 year. |
| Bad debts written off | (103,092,757) | (20,000,000) | (83,092,757) | 415.5 | An increase in the non-payment of services. |

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

| | Current year 2014 Act. Bal. | Current year 2014 Adjusted budget | Variance | Explanation of Significant Variances greater than 10% versus Budget |
|---|-----------------------------------|--|---------------------|--|
| Repairs and maintenance | (16,899,623) | (16,563,704) | (335,919) | 2.0 |
| - General | | | | |
| Bulk purchases | (112,821,550) | (104,162,534) | (8,659,016) | 8.3 |
| Contracted Services | (7,412,659) | (8,284,471) | 871,812 | (10.5) Decrease on the use of consultants. |
| Transfers and Subsidies | (4,295,185) | (50,926) | (4,244,259),334.2 | An increase in subsidies due to an increase in the indigent registrations. |
| General Expenses | (39,583,264) | (51,286,017) | 11,702,753 | (22.8) |
| | (457,552,979) | (320,578,318) | (136,974,661) | 42.7 |
| Other revenue and costs | | | | |
| Gain or loss on disposal of assets and liabilities | (176,615) | - | (176,615) | - |
| Fair value adjustments | 9,272 | - | 9,272 | - |
| | (167,343) | - | (167,343) | - |
| Net surplus/ (deficit) for the year | (44,951,741) | 8,731 | (44,960,472),952.1) | |

Appendix E(2)

June 2015

Budget Analysis of Capital Expenditure as at 30 June 2015

| | Additions | Original Budget | Revised Budget | Variance | Variance | Explanation of significant variances from budget |
|--|-------------------|-------------------|-------------------|------------------|------------|--|
| | Rand | Rand | Rand | Rand | % | |
| Municipality | | | | | | |
| Executive & Council/Mayor and Council | 319,000 | 144,103 | 144,103 | (174,897) | (121) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Finance & Admin/Finance | 197,000 | 843,260 | 843,260 | 646,260 | 77 | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Comm. & Social/Libraries and archives | 3,887,000 | 93,835 | 93,835 | (3,793,165) | (4,042) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Environmental Protection/Pollution Control | 101 | 101 | 101 | - | - | - |
| Waste Water Management/Sewerage | 3,435,000 | 11,686 | 11,686 | (3,423,314) | (29,294) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Road Transport/Roads | 6,190,000 | 20,662,282 | 20,662,282 | 14,472,282 | 70 | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Water/Water Distribution | 9,090,000 | 2,507,530 | 2,507,530 | (6,582,470) | (263) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Electricity /Electricity Distribution | 3,481,000 | 2,149,809 | 2,149,809 | (1,331,191) | (62) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| Corporate Services | 147,000 | 137,401 | 137,401 | (9,599) | (7) | Assets were purchased based on the needs per vote and was transferred between various votes. |
| | 26,746,101 | 26,550,007 | 26,550,007 | (196,094) | (1) | |

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act |
|--|--|--------------------|------------|------------|------------|-----------------------|------------|------------|------------|--|
| | | | | | | | | | | |
| Financial Management Grant (FMG) | National Treasury | 1,600,000 | - | - | - | 170,561 | 486,493 | 297,859 | 595,087 | Yes |
| Municipal Systems Improvement Grant | National Treasury | 934,000 | - | - | - | 239,007 | 552,513 | 21,425 | 77,055 | Yes |
| Municipal Infrastructure Grant (MIG) | National Treasury | 7,012,000 | - | 4,019,000 | 12,539,000 | - | 932,645 | 9,968,665 | 10,609,702 | Yes |
| Equitable Share | National Treasury | 22,585,000 | 17,397,000 | 13,551,000 | 16,181,000 | 22,585,000 | 17,397,000 | 13,551,000 | 16,181,000 | Yes |
| Expanded Public Works Programme (EPWP) | National Treasury | 729,000 | 547,000 | 547,000 | - | 729,000 | 547,000 | 547,000 | - | Yes |
|)DOE | National Treasury | 1,500,000 | 735,000 | 235,000 | - | - | 1,500,000 | 735,000 | 235,000 | Yes |
| Municipal Infrastructure Support Grant | National Treasury | 2,207,000 | - | - | - | 2,207,000 | - | - | - | Yes |
| | | 36,567,000 | 18,679,000 | 18,352,000 | 28,720,000 | 25,930,568 | 21,415,651 | 25,120,949 | 27,697,844 | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | 2014/2013 | | | | | | |
|--|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 91,887,594 | (2,194,378) | 89,693,216 | - | | 89,693,216 | 125,882,772 | | 36,189,556 | 140 % | 137 % | | | 99,589,435 | |
| Executive and council | | | | | | | 8,646,931 | | 8,646,931 | DIV/0 % | DIV/0 % | | | 12,902,709 | |
| Budget and treasury office | 91,791,294 | (2,121,839) | 89,669,455 | - | | 89,669,455 | 117,217,379 | | 27,547,924 | 131 % | 128 % | | | 86,621,133 | |
| Corporate services | 96,300 | (72,539) | 23,761 | - | | 23,761 | 18,462 | | (5,299) | 78 % | 19 % | | | 65,593 | |
| Community and public safety | 6,279,447 | (757,124) | 5,522,323 | - | | 5,522,323 | 9,154,746 | | 3,632,423 | 166 % | 146 % | | | 10,678,400 | |
| Community and social services | 2,275,660 | (133,325) | 2,142,335 | - | | 2,142,335 | 4,086,248 | | 1,943,913 | 191 % | 180 % | | | 6,115,471 | |
| Sport and recreation | 3,880 | (266) | 3,614 | - | | 3,614 | 19,775 | | 16,161 | 547 % | 510 % | | | 3,600 | |
| Public safety | 3,595,907 | (556,663) | 3,039,244 | - | | 3,039,244 | 4,664,368 | | 1,625,124 | 153 % | 130 % | | | 4,169,463 | |
| Housing | 404,000 | (66,870) | 337,130 | - | | 337,130 | 384,355 | | 47,225 | 114 % | 95 % | | | 389,866 | |
| Economic and environmental services | 14,506,500 | (900,108) | 13,606,392 | - | | 13,606,392 | 33,095,549 | | 19,489,157 | 243 % | 228 % | | | 40,369,046 | |
| Planning and development | | | | | | | | | 564,120 | DIV/0 % | DIV/0 % | | | | |
| Road transport | 14,506,500 | (900,108) | 13,606,392 | - | | 13,606,392 | 32,531,429 | | 18,925,037 | 239 % | 224 % | | | 40,369,046 | |
| Trading services | 204,177,137 | 7,588,011 | 211,765,148 | - | | 211,765,148 | 244,635,515 | | 32,870,367 | 116 % | 120 % | | | 287,053,704 | |
| Electricity | 107,316,677 | 4,200,535 | 111,517,212 | - | | 111,517,212 | 145,713,921 | | 34,196,709 | 131 % | 136 % | | | 188,724,884 | |
| Water | 71,915,585 | 288,194 | 72,203,779 | - | | 72,203,779 | 73,884,998 | | 1,681,219 | 102 % | 103 % | | | 73,088,327 | |
| Waste water management | 12,592,659 | 3,099,282 | 15,691,941 | - | | 15,691,941 | 13,305,663 | | (2,386,278) | 85 % | 106 % | | | 13,858,373 | |
| Waste management | 12,352,216 | - | 12,352,216 | - | | 12,352,216 | 11,730,933 | | (621,283) | 95 % | 95 % | | | 11,382,120 | |
| Total Revenue - Standard | 316,850,678 | 3,736,401 | 320,587,079 | - | | 320,587,079 | 412,768,582 | | 92,181,503 | 129 % | 130 % | | | 437,690,585 | |

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

2015/2014

2014/2013

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|--|--------------------|---|--------------------------|--|---|--------------------|---------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 69,359,989 | 4,495,831 | 73,855,820 | - | - | 73,855,820 | 127,566,648 | - | 53,710,828 | 173 % | 184 % | - | - | - | 78,173,167 |
| Executive and council | 27,304,220 | 1,481,467 | 28,785,687 | - | - | 28,785,687 | 26,772,091 | - | (2,013,596) | 93 % | 98 % | - | - | - | 26,158,673 |
| Budget and treasury office | 24,680,280 | 1,028,565 | 25,708,845 | - | - | 25,708,845 | 70,617,608 | - | 44,908,763 | 275 % | 286 % | - | - | - | 24,939,052 |
| Corporate services | 17,375,489 | 1,985,799 | 19,361,288 | - | - | 19,361,288 | 30,176,949 | - | 10,815,661 | 156 % | 174 % | - | - | - | 27,075,442 |
| Community and public safety | 26,172,866 | 688,781 | 26,861,647 | - | - | 26,861,647 | 27,018,526 | - | 156,879 | 101 % | 103 % | - | - | - | 30,347,204 |
| Community and social services | 7,760,121 | 619,073 | 8,379,194 | - | - | 8,379,194 | 7,986,600 | - | (392,594) | 95 % | 103 % | - | - | - | 9,851,924 |
| Sport and recreation | 4,093,079 | (30,026) | 4,063,053 | - | - | 4,063,053 | 3,200,795 | - | (862,258) | 79 % | 78 % | - | - | - | 5,547,501 |
| Public safety | 13,170,128 | 141,865 | 13,311,993 | - | - | 13,311,993 | 15,417,640 | - | 2,105,647 | 116 % | 117 % | - | - | - | 12,746,313 |
| Housing | 274,084 | 25,757 | 299,841 | - | - | 299,841 | 216,952 | - | (82,889) | 72 % | 79 % | - | - | - | 1,453,955 |
| Health | 875,454 | (67,888) | 807,566 | - | - | 807,566 | 196,539 | - | (61,027) | 24 % | 22 % | - | - | - | 747,511 |
| Economic and environmental services | 30,927,072 | (609,583) | 30,317,489 | - | - | 30,317,489 | 75,638,304 | - | 45,320,815 | 249 % | 245 % | - | - | - | 39,679,047 |
| Planning and development | 4,046,497 | 7,401 | 4,053,898 | - | - | 4,053,898 | 51,773,418 | - | 47,719,520 | 1,277 % | 1,279 % | - | - | - | 909,526 |
| Road transport | 26,880,575 | (616,984) | 26,263,591 | - | - | 26,263,591 | 23,864,886 | - | (2,398,705) | 91 % | 89 % | - | - | - | 38,769,521 |
| Trading services | 190,381,988 | (838,626) | 189,543,362 | - | - | 189,543,362 | 227,498,848 | - | 37,955,486 | 120 % | 119 % | - | - | - | 314,402,117 |
| Electricity | 99,519,684 | 378,699 | 99,898,383 | - | - | 99,898,383 | 149,686,599 | - | 49,788,216 | 150 % | 150 % | - | - | - | 194,574,377 |
| Water | 51,632,316 | (814,697) | 50,817,619 | - | - | 50,817,619 | 65,703,364 | - | 14,885,745 | 129 % | 127 % | - | - | - | 73,554,339 |
| Waste water management | 18,173,961 | (358,382) | 17,815,579 | - | - | 17,815,579 | (6,700,629) | - | (24,516,208) | (38)% | (37)% | - | - | - | 19,593,060 |
| Waste management | 21,056,027 | (44,246) | 21,011,781 | - | - | 21,011,781 | 18,809,514 | - | (2,202,267) | 90 % | 89 % | - | - | - | 26,680,341 |
| Total Expenditure - Standard | 316,841,915 | 3,736,403 | 320,578,318 | - | - | 320,578,318 | 457,722,326 | - | 137,144,008 | 143 % | 144 % | - | - | - | 462,601,535 |
| Surplus/(Deficit) for the year | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,744) | - | (44,962,505) | (513,112)% | (512,995)% | - | - | - | (24,910,950) |

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

| 2015/2014 | | | | | | | | | | | | 2014/2013 | | | | |
|---|--------------------|---|--------------------|--|---|--------------------|---------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|---------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome | |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | |
| Revenue by Vote | | | | | | | | | | | | | | | | |
| Vote 1 - Executive and Council | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,902,709 |
| Vote 2 - Budget and Treasury | 91,791,294 | (2,121,839) | 89,669,455 | - | - | 89,669,455 | 117,217,379 | - | 8,646,931 | 27,547,924 | 131 % | 128 % | - | - | - | 86,621,133 |
| Vote 3 - Corporate Services | 96,300 | (72,539) | 23,761 | - | - | 23,761 | 18,462 | - | (5,299) | 78 % | 19 % | - | - | - | - | 65,593 |
| Vote 4 - Community and Social Services | 2,275,660 | (133,325) | 2,142,335 | - | - | 2,142,335 | 4,086,248 | - | 1,943,913 | 191 % | 180 % | - | - | - | - | 6,115,471 |
| Vote 5 - Sport and Recreation | 3,880 | (266) | 3,614 | - | - | 3,614 | 19,775 | - | 16,161 | 547 % | 510 % | - | - | - | - | 3,600 |
| Vote 6 - Public Safety | 3,595,907 | (556,663) | 3,039,244 | - | - | 3,039,244 | 4,664,368 | - | 1,625,124 | 153 % | 130 % | - | - | - | - | 4,169,463 |
| Vote 7 - Housing | 404,000 | (66,870) | 337,130 | - | - | 337,130 | 384,355 | - | 47,225 | 114 % | 95 % | - | - | - | - | 389,866 |
| Vote 9 - Planning and Development | - | - | - | - | - | - | - | - | 564,120 | - | - | 564,120 | - | - | - | - |
| Vote 10 - Roads Transport | 14,506,500 | (900,108) | 13,606,392 | - | - | 13,606,392 | 32,531,429 | - | 18,925,037 | 239 % | 224 % | - | - | - | - | 40,369,046 |
| Vote 11 - Electricity Services | 107,316,677 | 4,200,535 | 111,517,212 | - | - | 111,517,212 | 145,713,921 | - | 34,196,709 | 131 % | 136 % | - | - | - | - | 188,724,884 |
| Vote 12 - Water Services | 71,915,585 | 288,194 | 72,203,779 | - | - | 72,203,779 | 73,884,998 | - | 1,681,219 | 102 % | 103 % | - | - | - | - | 73,088,327 |
| Vote 13 - Waste Water Management | 12,592,659 | 3,099,282 | 15,691,941 | - | - | 15,691,941 | 13,305,663 | - | (2,386,278) | 85 % | 106 % | - | - | - | - | 13,858,373 |
| Vote 14 - Solid Waste Management | 12,352,216 | - | 12,352,216 | - | - | 12,352,216 | 11,730,933 | - | (621,283) | 95 % | 95 % | - | - | - | - | 11,382,120 |
| Total Revenue by Vote | 316,850,678 | 3,736,401 | 320,587,079 | - | - | 320,587,079 | 412,768,582 | - | 92,181,503 | 129 % | 130 % | - | - | - | - | 437,690,585 |
| Expenditure by Vote to be appropriated | | | | | | | | | | | | | | | | |
| Vote 1 - Executive and Council | 27,304,220 | 1,481,467 | 28,785,687 | - | - | 28,785,687 | 26,772,091 | - | (2,013,596) | 93 % | 98 % | - | - | - | - | 26,158,673 |
| Vote 2 - Budget and Treasury | 24,680,280 | 1,028,565 | 25,708,845 | - | - | 25,708,845 | 70,617,608 | - | 44,908,763 | 275 % | 286 % | - | - | - | - | 24,939,052 |
| Vote 3 - Corporate Services | 17,375,489 | 1,985,799 | 19,361,288 | - | - | 19,361,288 | 30,176,949 | - | 10,815,661 | 156 % | 174 % | - | - | - | - | 27,075,442 |
| Vote 4 - Community and Social Services | 7,760,121 | 619,073 | 8,379,194 | - | - | 8,379,194 | 7,986,600 | - | (392,594) | 95 % | 103 % | - | - | - | - | 9,851,924 |
| Vote 5 - Sport and Recreation | 4,093,079 | (30,026) | 4,063,053 | - | - | 4,063,053 | 3,200,795 | - | (862,258) | 79 % | 78 % | - | - | - | - | 5,547,501 |
| Vote 6 - Public Safety | 13,170,128 | 141,865 | 13,311,993 | - | - | 13,311,993 | 15,417,640 | - | 2,105,647 | 116 % | 117 % | - | - | - | - | 12,746,313 |
| Vote 7 - Housing | 274,084 | 25,757 | 299,841 | - | - | 299,841 | 216,952 | - | (82,889) | 72 % | 79 % | - | - | - | - | 1,453,955 |
| Vote 8 - Health Services | 875,454 | (67,888) | 807,566 | - | - | 807,566 | 196,539 | - | (611,027) | 24 % | 22 % | - | - | - | - | 747,511 |
| Vote 9 - Planning and Development | 4,046,497 | 7,401 | 4,053,898 | - | - | 4,053,898 | 51,773,418 | - | 47,719,520 | 1,277 % | 1,279 % | - | - | - | - | 909,526 |
| Vote 10 - Roads Transport | 26,880,575 | (616,984) | 26,263,591 | - | - | 26,263,591 | 23,864,886 | - | (2,398,705) | 91 % | 89 % | - | - | - | - | 38,769,521 |
| Vote 11 - Electricity Services | 99,519,684 | 378,699 | 99,898,383 | - | - | 99,898,383 | 149,686,599 | - | 49,788,216 | 150 % | 150 % | - | - | - | - | 194,574,377 |
| Vote 12 - Water Services | 51,632,316 | (814,697) | 50,817,619 | - | - | 50,817,619 | 65,703,364 | - | 14,885,745 | 129 % | 127 % | - | - | - | - | 73,554,339 |
| Vote 13 - Waste Water Management | 18,173,961 | (358,382) | 17,815,579 | - | - | 17,815,579 | (6,700,629) | - | (24,516,208) | (38)% | (37)% | - | - | - | - | 19,593,060 |
| Vote 14 - Solid Waste Management | 21,056,027 | (44,246) | 21,011,781 | - | - | 21,011,781 | 18,809,514 | - | (2,202,267) | 90 % | 89 % | - | - | - | - | 26,680,341 |
| Total Expenditure by Vote | 316,841,915 | 3,736,403 | 320,578,318 | - | - | 320,578,318 | 457,722,326 | - | 137,144,008 | 143 % | 144 % | - | - | - | - | 462,601,535 |
| Surplus/(Deficit) for the year | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,744) | - | (44,962,505) | (513,112)% | (512,995)% | - | - | - | - | (24,910,950) |

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | | | 2014/2013 | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Budget Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue By Source | | | | | | | | | | | | | | | |
| Property rates | 45,697,681 | (1,090,922) | 44,606,759 | - | | 44,606,759 | 57,723,904 | | 13,117,145 | 129 % | 126 % | | | | 43,846,922 |
| Service charges - electricity revenue | 105,960,918 | 4,211,672 | 110,172,590 | - | | 110,172,590 | 121,250,132 | | 11,077,542 | 110 % | 114 % | | | | 99,499,676 |
| Service charges - water revenue | 40,989,361 | 307,147 | 41,296,508 | - | | 41,296,508 | 46,506,779 | | 5,210,271 | 113 % | 113 % | | | | 44,206,354 |
| Service charges - sanitation revenue | 8,688,281 | (7,168) | 8,681,113 | - | | 8,681,113 | 8,598,378 | | (82,735) | 99 % | 99 % | | | | 8,041,101 |
| Service charges - refuse revenue | 9,797,281 | - | 9,797,281 | - | | 9,797,281 | 9,867,976 | | 70,695 | 101 % | 101 % | | | | 9,075,107 |
| Rental of facilities and equipment | 2,517,800 | (197,893) | 2,319,907 | - | | 2,319,907 | 2,230,967 | | (88,940) | 96 % | 89 % | | | | 2,304,548 |
| Interest earned - external investments | 976,162 | (442,397) | 533,765 | - | | 533,765 | 812,300 | | 278,535 | 152 % | 83 % | | | | 771,921 |
| Interest earned - outstanding debtors | 21,098,865 | - | 21,098,865 | - | | 21,098,865 | 24,168,373 | | 3,069,508 | 115 % | 115 % | | | | 21,526,047 |
| Fair value adjustment | 22,475 | 10,855 | 33,330 | - | | 33,330 | 9,272 | | (24,058) | 28 % | 41 % | | | | |
| Fines | 501,000 | (220,566) | 280,434 | - | | 280,434 | 717,046 | | 436,612 | 256 % | 143 % | | | | 1,754,944 |
| Licences and permits | 3,001,500 | (300,903) | 2,700,597 | - | | 2,700,597 | 2,449,935 | | (250,662) | 91 % | 82 % | | | | 2,299,828 |
| Agency services | 14,298,000 | (920,468) | 13,377,532 | - | | 13,377,532 | 12,281,685 | | (1,095,847) | 92 % | 86 % | | | | 16,486,649 |
| Transfers recognised - operational | 61,676,000 | - | 61,676,000 | - | | 61,676,000 | 108,232,219 | | 46,556,219 | 175 % | 175 % | | | | 169,001,680 |
| Other revenue | 1,625,354 | 2,387,044 | 4,012,398 | - | | 4,012,398 | 18,096,231 | | 14,083,833 | 451 % | 1,113 % | | | | 18,875,807 |
| Gains on disposal of PPE | | | | | | | (176,615) | | (176,615) | DIV/0 % | DIV/0 % | | | | |
| Total Revenue (excluding capital transfers and contributions) | 316,850,678 | 3,736,401 | 320,587,079 | - | | 320,587,079 | 412,768,582 | | 92,181,503 | 129 % | 130 % | | | | 437,690,584 |

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

2015/2014

2014/2013

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|--|--------------------|---|--------------------------|--|---|--------------------|---------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Expenditure By Type | | | | | | | | | | | | | | | |
| Employee related costs | 105,195,645 | (2,074) | 105,193,571 | - | - | 105,193,571 | 115,951,533 | - | 10,757,962 | 110 % | 110 % | - | - | - | 100,283,368 |
| Remuneration of councillors | 6,907,318 | - | 6,907,318 | - | - | 6,907,318 | (740,428) | - | (7,647,746) | (11)% | (11)% | - | - | - | - |
| Debt impairment | 20,000,000 | - | 20,000,000 | - | - | 20,000,000 | 103,092,757 | - | 83,092,757 | 515 % | 515 % | - | - | - | 119,897,717 |
| Depreciation & asset impairment | 6,228,000 | - | 6,228,000 | - | - | 6,228,000 | 56,490,227 | - | 50,262,227 | 907 % | 907 % | - | - | - | 52,353,435 |
| Finance charges | 1,908,900 | (7,123) | 1,901,777 | - | - | 1,901,777 | 1,967,798 | - | 66,021 | 103 % | 103 % | - | - | - | 4,311,190 |
| Bulk purchases | 104,809,989 | (647,455) | 104,162,534 | - | - | 104,162,534 | 112,821,550 | - | 8,659,016 | 108 % | 108 % | - | - | - | 91,981,071 |
| Contracted services | 6,619,069 | 1,665,382 | 8,284,471 | - | - | 8,284,471 | 7,412,659 | - | (871,812) | 89 % | 112 % | - | - | - | 10,676,558 |
| Transfers and grants | 50,926 | - | 50,926 | - | - | 50,926 | 4,295,185 | - | 4,244,259 | 8,434 % | 8,434 % | - | - | - | 10,851,740 |
| Other expenditure | 65,122,048 | 2,727,673 | 67,849,721 | - | - | 67,849,721 | 56,431,041 | - | (11,418,680) | 83 % | 87 % | - | - | - | 72,246,457 |
| Total Expenditure | 316,841,915 | 3,736,403 | 320,578,318 | - | - | 320,578,318 | 457,722,322 | - | 137,144,004 | 143 % | 144 % | - | - | - | 462,601,536 |
| Surplus/(Deficit) | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,740) | - | (44,962,501) | (513,112)% | (512,995)% | - | - | - | (24,910,952) |
| Surplus/(Deficit) after capital transfers & contributions | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,740) | - | (44,962,501) | (513,112)% | (512,995)% | - | - | - | (24,910,952) |
| Surplus/(Deficit) after taxation | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,740) | - | (44,962,501) | (513,112)% | (512,995)% | - | - | - | (24,910,952) |
| Surplus/(Deficit) attributable to municipality | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,740) | - | (44,962,501) | (513,112)% | (512,995)% | - | - | - | (24,910,952) |
| Surplus/(Deficit) for the year | 8,763 | (2) | 8,761 | - | - | 8,761 | (44,953,740) | - | (44,962,501) | (513,112)% | (512,995)% | - | - | - | (24,910,952) |

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

| 2015/2014 | | | | | | | | 2014/2013 | | | | | | |
|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Budget Rand | Rand | Rand | Rand | Rand | Rand | Rand |

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | | | 2014/2013 | | | | | |
|---|------------------|---|--------------------------|--|---|------------------|-------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|-------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome | |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital Expenditure - Standard | | | | | | | | | | | | | | | | |
| Governance and administration | 4,495,500 | - | 4,495,500 | - | - | 4,495,500 | 662,523 | - | (3,832,977) | 15 % | 15 % | - | - | - | - | 16,839,227 |
| Executive and council | 4,353,833 | - | 4,353,833 | - | - | 4,353,833 | 318,864 | - | (4,034,969) | 7 % | 7 % | - | - | - | - | 16,368,590 |
| Budget and treasury office | 129,167 | - | 129,167 | - | - | 129,167 | 196,954 | - | 67,787 | 152 % | 152 % | - | - | - | - | 466,128 |
| Corporate services | 12,500 | - | 12,500 | - | - | 12,500 | 146,705 | - | 134,205 | 1,174 % | 1,174 % | - | - | - | - | 4,509 |
| Community and public safety | 600,417 | - | 600,417 | - | - | 600,417 | 3,886,905 | - | 3,286,488 | 647 % | 647 % | - | - | - | - | 2,166,740 |
| Community and social services | 88,333 | - | 88,333 | - | - | 88,333 | - | - | (88,333) | - % | - % | - | - | - | - | 318,769 |
| Sport and recreation | 306,667 | - | 306,667 | - | - | 306,667 | 3,431,950 | - | 3,125,283 | 1,119 % | 1,119 % | - | - | - | - | 1,106,677 |
| Public safety | 205,417 | - | 205,417 | - | - | 205,417 | 454,955 | - | 249,538 | 221 % | 221 % | - | - | - | - | 741,294 |
| Economic and environmental services | 1,026,667 | - | 1,026,667 | - | - | 1,026,667 | 6,189,618 | - | 5,162,951 | 603 % | 603 % | - | - | - | - | 3,704,962 |
| Road transport | 1,026,667 | - | 1,026,667 | - | - | 1,026,667 | 6,189,618 | - | 5,162,951 | 603 % | 603 % | - | - | - | - | 3,704,962 |
| Trading services | 2,250,250 | - | 2,250,250 | - | - | 2,250,250 | 16,005,244 | - | 13,754,994 | 711 % | 711 % | - | - | - | - | 8,120,540 |
| Electricity | 421,750 | - | 421,750 | - | - | 421,750 | 3,480,525 | - | 3,058,775 | 825 % | 825 % | - | - | - | - | 1,521,981 |
| Water | 787,667 | - | 787,667 | - | - | 787,667 | 9,089,744 | - | 8,302,077 | 1,154 % | 1,154 % | - | - | - | - | 2,842,476 |
| Waste water management | 915,833 | - | 915,833 | - | - | 915,833 | 3,434,975 | - | 2,519,142 | 375 % | 375 % | - | - | - | - | 3,304,992 |
| Waste management | 125,000 | - | 125,000 | - | - | 125,000 | - | - | (125,000) | - % | - % | - | - | - | - | 451,091 |
| Total Capital Expenditure - Standard | 8,372,834 | - | 8,372,834 | - | - | 8,372,834 | 26,744,290 | - | 18,371,456 | 319 % | 319 % | - | - | - | - | 30,831,469 |
| Funded by: | | | | | | | | | | | | | | | | |
| National Government | 2,001,750 | - | 2,001,750 | - | - | 2,001,750 | 24,680,641 | - | 22,678,891 (1,152,500) | 1,233 % - % | 1,233 % - % | - | - | - | - | 7,223,773 |
| District Municipality | 1,152,500 | - | 1,152,500 | - | - | 1,152,500 | - | - | - | - | - | - | - | - | - | 4,159,060 |
| Transfers recognised - capital | 3,154,250 | - | 3,154,250 | - | - | 3,154,250 | 24,680,641 | - | 21,526,391 | 782 % | 782 % | - | - | - | - | 11,382,833 |
| Borrowing | 5,185,000 | - | 5,185,000 | - | - | 5,185,000 | - | - | (5,185,000) | - % | - % | - | - | - | - | 18,711,259 |
| Internally generated funds | 215,583 | - | 215,583 | - | - | 215,583 | 2,063,649 | - | 1,848,066 | 957 % | 957 % | - | - | - | - | 777,980 |
| Total Capital Funding | 8,554,833 | - | 8,554,833 | - | - | 8,554,833 | 26,744,290 | - | 18,189,457 | 313 % | 313 % | - | - | - | - | 30,872,072 |

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

| | 2015/2014 | | | | | 2014 | | | |
|---|-----------------|---|--------------------------|--------------|--------------------|---|-------------------------------------|--|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Cash flow from operating activities | | | | | | | | | |
| Ratepayers and other | - | - | - | - | 302,828,256 | 302,828,256 | DIV/0 % | DIV/0 % | 283,907,791 |
| Interest | - | - | - | - | 24,980,673 | 24,980,673 | DIV/0 % | DIV/0 % | 22,297,968 |
| Suppliers and employees | - | - | - | - | 534,154,811 | 534,154,811 | DIV/0 % | DIV/0 % | 510,483,745 |
| Finance charges | - | - | - | - | 1,967,798 | 1,967,798 | DIV/0 % | DIV/0 % | 4,311,190 |
| Transfers and Grants | - | - | - | - | 4,308,208 | 4,308,208 | DIV/0 % | DIV/0 % | 10,878,040 |
| Net cash flow from/used operating activities | - | - | - | - | 868,239,746 | 868,239,746 | DIV/0 % | DIV/0 % | 831,878,734 |
| Cash flow from investing activities | | | | | | | | | |
| Proceeds on disposal of PPE | - | - | - | - | (176,615) | (176,615) | DIV/0 % | DIV/0 % | - |
| Decrease (increase) in non-current investments | - | - | - | - | 9,272 | 9,272 | DIV/0 % | DIV/0 % | (276,874) |
| Net cash flow from/used investing activities | - | - | - | - | (167,343) | (167,343) | DIV/0 % | DIV/0 % | (276,874) |
| Cash flow from financing activities | | | | | | | | | |
| Borrowing long term/refinancing | - | - | - | - | (3,048,491) | (3,048,491) | DIV/0 % | DIV/0 % | 12,680,957 |
| Increase (decrease) in consumer deposits | - | - | - | - | (13,391) | (13,391) | DIV/0 % | DIV/0 % | 45,371 |
| Net cash flow from/used financing activities | - | - | - | - | (3,061,882) | (3,061,882) | DIV/0 % | DIV/0 % | 12,726,328 |
| Net increase/(decrease) in cash held | - | - | - | - | 865,010,521 | 865,010,521 | DIV/0 % | DIV/0 % | 844,328,188 |
| Cash/cash equivalents at the year begin: | | | | | 4,022,065 | | | | 31,883,337 |
| Cash/cash equivalents at the year end: | - | - | - | - | 869,032,586 | 865,010,521 | DIV/0 % | DIV/0 % | |